Advanced Education and Technology

Public Post-Secondary Institutions Audited Financial Statements

Public Colleges and Technical Institutes for the year ended June 30, 2008

Alberta

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for the year ended June 30, 2008

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Public Post-Secondary Institutions
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ALBERTA COLLEGE OF ART AND DESIGN

FINANCIAL STATEMENTS

JUNE 30, 2008

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AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Alberta College of Art and Design

I have audited the statement of financial position of the Alberta College of Art and Design (the College) as at June 30, 2008 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
September 26, 2008

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2008

	2008	2007
ASSETS		
Current:		
Cash and cash equivalents (Note 4)	$ 9,494,805	$ 7,201,182
Accounts receivable and prepaid expenses	490,022	477,745
Inventories	561,835	529,002
	10,546,662	8,207,929
Non-current:		
Cash and investments (Note 4)	2,899,710	3,165,805
Capital contributions receivable (Note 18)	500,632	644,591
Capital assets (Note 6)	4,596,484	4,859,934
	$ 18,543,488	$ 16,878,259
LIABILITIES		
Current:		
Accounts payable	$ 1,092,705	$ 933,307
Obligation under capital lease (Note 8)	22,775	19,539
Unearned tuition fees	275,479	325,891
Deferred contributions (Note 9)	4,555,690	2,426,942
Accrued vacation	833,862	771,785
	6,780,511	4,477,464
Non-current:		
Obligation under capital lease (Note 8)	29,075	41,402
Other payable	29,969	29,137
Unamortized deferred capital contributions (Note 11)	3,766,898	4,081,353
Deferred capital contributions (Note 10)	519,069	1,102,777
	11,125,522	9,732,133
Net assets:		
Unrestricted		
Accumulated excess of revenue over expenses	2,125,904	2,018,696
Accumulated net unrealized gain on investments	67,017	-
Internally restricted (Note 12)	2,310,162	2,452,347
Invested in capital assets	777,736	717,640
Endowments (Note 13)	2,137,147	1,957,443
	7,417,966	7,146,126
	$ 18,543,488	$ 16,878,259

The accompanying notes are part of these financial statements.

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008

	2008		2007
	BUDGET	ACTUAL	ACTUAL
Revenue:			
Grants (Note 14)	$ 10,852,861	$ 11,210,028	$ 11,100,941
Tuition fees	4,699,746	4,627,213	4,446,781
Extended studies	892,300	833,331	772,849
Bookstore sales	740,000	728,073	702,882
Sales, rentals, and services	160,000	267,305	211,146
Donations and fundraising events	537,000	882,882	378,172
Scholarships	205,000	152,863	141,023
Investment income (Note 5)	270,078	446,586	424,635
Earned capital contributions (Note 11)	730,000	774,465	717,011
	19,086,985	19,922,746	18,895,440
Expenses: (Note 15)			
Salaries and benefits (Note 16)	11,928,375	12,431,684	11,211,721
Supplies and services	4,884,904	4,852,286	4,822,660
Bookstore – cost of sales	416,700	380,028	373,472
Fundraising and other projects	773,060	990,947	539,811
Scholarships	97,328	200,061	215,348
Amortization of capital assets	910,000	1,042,621	952,201
	19,010,367	19,897,627	18,115,213
Excess of revenue over expense for the year	$ 76,618	$ 25,119	$ 780,227

The accompanying notes are part of these financial statements.

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	2008						2007
	Unrestricted Net Assets	Accumulated Net Unrealized Gain on Investments	Internally Restricted Net Assets (Note 12)	Investment in Capital Assets	Restricted for Endowment Purposes (Note 13)	Total Net Assets	Total Net Assets
Net assets, beginning of year	$ 2,018,696	$ -	$ 2,452,347	$ 717,640	$ 1,957,443	$ 7,146,126	$ 6,267,896
Adoption of new financial instruments accounting policy (Note 2(h) and Note 3)	-	100,667	-	-	92,012	192,679	-
	2,018,696	100,667	2,452,347	717,640	2,049,455	7,338,805	6,267,896
Excess of revenue over expense	25,119	-	-	-	-	25,119	780,227
Transfer from internally restricted, net (Note 12)	142,185	-	(142,185)	-	-	-	-
Endowment contributions and capitalized interest (Note 13)	-	-	-	-	113,350	113,350	98,003
Internally funded:							
Purchase of capital assets	(306,331)	-	-	306,331	-	-	-
Repayment of obligation under capital lease	(21,921)	-	-	21,921	-	-	-
Amortization of capital assets	268,156	-	-	(268,156)	-	-	-
Decrease in net unrealized gain on investments	-	(33,650)	-	-	(25,658)	(59,308)	-
Increase (decrease) in net assets	107,208	(33,650)	(142,185)	60,096	87,692	79,161	878,230
Net assets, end of year	$ 2,125,904	$ 67,017	$ 2,310,162	$ 777,736	$ 2,137,147	$ 7,417,966	$ 7,146,126

The accompanying notes are part of these financial statements.

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
Operating activities:		
Excess of revenue over expense	$ 25,119	$ 780,227
Non-cash transactions:		
Earned capital contributions (Note 11)	(774,465)	(717,011)
Amortization of capital assets	1,042,621	952,201
	293,275	1,015,417
Changes in non-cash working capital	2,055,637	1,409,978
Cash generated from operating activities	2,348,912	2,425,395
Investing activities:		
Purchase of capital assets:		
Internally funded	(306,331)	(206,162)
Externally funded	(460,010)	(148,073)
Debt funded	(12,830)	(4,251)
Unrealized gain on investments	332,435	-
Decrease (increase) in non-current cash and investments	266,095	(475,750)
Cash used in investing activities	(180,641)	(834,236)
Funding activities:		
Decrease in capital contributions receivable	143,959	216,591
Capital contributions received, net of transfers (Note 10)	(123,698)	(68,518)
Long term lease	12,830	4,251
Payment on capital lease	(21,921)	(17,496)
Increase (decrease) in other payables	832	(48,327)
Increase in endowments, net	113,350	98,003
Cash provided from financing activities	125,352	184,504
Net increase in cash and cash equivalents	2,293,623	1,775,663
Cash and cash equivalents, beginning of year	7,201,182	5,425,519
Cash and cash equivalents, end of year	$ 9,494,805	$ 7,201,182

The accompanying notes are part of these financial statements.

Note 1 Authority and Purpose

The Alberta College of Art and Design ("the College") operates under the authority of the *Post Secondary Learning Act*, Statutes of Alberta 2003, Chapter P-19.5. The College is a registered charity and is exempt from payment of income tax.

The College is a public institution for education in visual arts, design and digital media that delivers both post-secondary degree and diploma programs, and adult and children's continuing education programming.

The College promotes cultural and artistic awareness in the College and the community through art exhibitions, public lecture programs and its collection of visual art and library resources.

Note 2 Summary of Significant Accounting Policies

a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates which may vary from actual results. The following accounting policies and reporting practices are considered significant.

b) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value. Cost is determined using the first in, first out method.

c) Investments

Investments are recorded at fair market value. They are initially recognized at acquisition cost and subsequently re-measured at fair value at each reporting date.

Note 2 Summary of Significant Accounting Policies (continued)

d) Capital Assets

The land and building which house the College are owned by the Southern Alberta Institute of Technology (the "Institute") and are occupied by the College under a facility license granted by the Institute. The term of the license is through a renewable contractual agreement between the College and the Institute determined at the pleasure of the Minister of Advanced Education and Technology.

The facility license providing the right to use the building has been recorded as an asset at fair value at the time the license was granted. Fair value is estimated as the building's amortized replacement cost based on an independent appraisal as at April 1982.

Subsequent additions to the facility are recorded as leasehold improvements at cost.

Furnishings and equipment are recorded at cost, except for donated assets which are recorded at fair value.

Capital assets, except for the artwork collection, are amortized on a straight-line basis over the following periods:

Facility license	28 years
Leasehold improvements	remaining life of the building
Furniture and equipment	5 years
Computer systems	10 years

Assets under capital lease are amortized on a basis that is consistent with the above.

Capital assets under construction are not amortized until construction is substantially complete and assets are ready for productive use.

The artwork collection is made up of numerous pieces of art that are held for display in the College and used for educational purposes. The pieces in the collection are recorded at the purchase price or at the appraised value at the time of donation and are not amortized.

e) Revenue Recognition

Unrestricted contributions and investment income are recognized in the period when receivable.

Unrealized gains and losses on available-for-sale investments attributed to unrestricted net assets are recorded in the statement of changes in net assets and recognized in the statement of operations when realized. Unrealized gains and losses on available-for-sale investments attributed to endowments are recorded in deferred contributions or endowments in accordance with the restrictions on investment income.

Externally restricted non-capital contributions and investment income are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor.

Amounts received for fees and sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Externally restricted capital contributions and interest are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Pledges are recognized as revenue when collected.

f) Employee Future Benefits

The College participates with other employers in the Local Authorities Pension Plan (the "Pension Plan"). This Pension Plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees based on their years of service and earnings. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year based on rates which are expected to provide for benefits payable under the Local Authorities Pension Plan. The College's portion of the pension plan's surplus or deficit is not recorded by the College.

The College's Board of Governors has approved early retirement and voluntary severance plans which provide employees leaving the employment of the College under specific conditions with bridge payments, lump sum payments in lieu of benefits or continued benefits for specific periods. The bridge payments, lump sum benefit payments and liabilities for future benefit payments are recorded by the College in the year the retirement application is approved.

The College pays or shares the premiums for certain benefits for employees on long term disability. The present value of the estimated costs of these premiums are recorded at the time the College becomes obligated under the plan.

The College accrues a supplemental annual payment that will be paid to the President upon retirement, resignation, or end of term.

g) Credit and Market Risk

The credit risk for accounts receivable is relatively low as the majority of balances are due from government agencies. Credit risk from tuition is managed through restricting enrolment activities for students with delinquent balances and maintaining standard collection procedures.

Market risk is the risk to the College's earnings that arises from the fluctuations and degree of volatility in the market value of its long-term investments. Market risk consists of price risk, foreign currency risk and interest rate risk with respect to its investment portfolio. To manage market risk, the College has established a target mix of investment types designed to achieve the optimal returns with reasonable risk tolerances.

Note 2 Summary of Significant Accounting Policies (continued)

h) Financial Instruments

On July 1, 2007, the College adopted the provisions of CICA handbook section 3855 "Financial Instruments, Recognition and Measurement" and section 3861 "Financial Instruments – Disclosure and Presentation". The College does not use hedge accounting and accordingly, is not impacted by the requirement of section 3865 "Hedges". As permitted for not-for-profit organizations, the College has elected not to apply the standards for embedded derivatives in non-financial contracts.

These new standards require the College to revalue certain financial assets and liabilities at fair value on the initial date of implementation and at each subsequent report date.

The new standard also requires the College to classify financial assets and liabilities according to their characteristics. Classification choices for financial assets include: (a) held for trading (HFT) – measured at fair value with changes in fair value recorded in statement of operations; (b) held to maturity (HTM) – recorded at amortized cost with gains and losses recognized in statement of operations when the asset is derecognized; (c) available for sale (AFS) – measured at fair value with changes in fair value recorded separately in net assets and deferred contributions until the asset is derecognized; and, (d) loans and receivables – recorded at amortized cost with gains and losses recognized in statement of operations when the asset is derecognized. Classification choices for financial liabilities include: (a) held for trading (HFT) – measured at fair value with changes in fair value recorded in statement of operations; and, (b) other liabilities recorded at amortized cost with gains and losses recognized in statement of operations when the liability is derecognized.

In accordance with the new standard, the College's financial instrument assets and liabilities are classified and measured as follows:

Financial Statement Components	Classification	Measurement
Cash and cash equivalents	AFS	Fair value
Investments	AFS	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Other long-term assets	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost
Long-term liabilities	Other liabilities	Amortized cost

Other long-term assets include a related party receivable from SAIT pertaining to a government grant for building repair and maintenance.

Note 2 Summary of Significant Accounting Policies (continued)

h) Financial Instruments (continued)

The College's financial instruments are recognized on their trade date. The transactions costs related to all investment financial instruments are included in the carrying value.

Note 3 Accounting Policy Developments

Section 3855 standards were applied retrospectively without restatement of prior periods on July 1, 2007.

The transitional impact on adoption of the new financial instrument standard is:

	2008		2007
Financial Statement Components	Adjusted opening balance	Transitional Impact	Previously reported
Restricted for endowment purposes	$ 2,049,455	$ 92,012	$ 1,957,443
Accumulated net unrealized gain on endowments	100,667	100,667	-
Deferred contributions	3,702,979	276,037	2,426,942

Note 4 Cash, Cash Equivalents and Investments, Current and Non-Current

The Board of Governors, through its Finance and Audit Committee, monitors the performance of the investment portfolio. Under the investment policy, the prime objectives of the investment fund are to generate income and to preserve the purchasing power of donated capital. The prime constraints that guide the investment policy are risk aversion and liquidity.

Cash, short-term investments and long-term investments are recorded at market value, with unrealized gains or losses recorded in deferred contributions or net assets. Market value is based upon the quoted market price of the securities.

Realized return includes interest income and gains and losses on disposals of investments. In 2008, the cash, cash equivalents and investments obtained a realized return of 3.70% (2007: 3.75%).

Note 4 Cash, Cash Equivalents and Investments, Current and Non-Current (continued)

Investments are currently held as money market, bond and equity pooled funds managed through an investment advisor. Cash, cash equivalents and investments are summarized as follows:

	2008		2007	
	Market	Cost	Market	Cost
Cash:	$ 8,944,314	$ 8,944,314	$ 7,427,404	$ 7,427,404
Pooled funds:				
Accrued income	76,000	76,000	58,213	58,213
Bond fund	1,140,020	1,052,771	1,078,023	1,021,183
Pooled equity fund	2,234,181	1,988,995	2,272,065	1,860,187
Total cash and investments	12,394,515	$ 12,062,080	$ 10,835,705	10,366,987
Held as non-current assets	2,899,710			3,165,805
Held as current assets	$ 9,494,805			$ 7,201,182

The Bond Fund consists of Canadian government and corporate bonds with an average term to maturity of 8.62 years (2007: 8.72 years) and an average yield to maturity of 4.43% (2007: 4.86%). Bonds are rated at a minimum level of BBB with 45% of the Fund rated as AAA.

Bond maturities are as follows:

	2008	2007
Under 1 year	0 %	0 %
1-5 years	45	34
5-10 years	30	41
10-20 years	3	4
Over 20 years	22	21
	100 %	100 %

Bonds are outstanding by the following types of issuers:

	2008	2007
Federal	34 %	42 %
Provincial	26	25
Municipal	4	4
Corporate	36	29
	100 %	100 %

Note 4 Cash, Cash Equivalents and Investments, Current and Non-Current (continued)

The Balanced Institutional Pooled Fund is a balanced fund of bond and equity investments. During 2008 the Fund earned 1.22% (2007: 2.93%).

The Balanced Institutional Pooled Fund held the following types of investments at June 30:

	2008	2007
Canadian Short and Long-term bonds	36 %	37 %
Canadian Equities	27	28
United States Equities	15	15
International Equities	18	20
Small Cap Global	4	0
	100 %	100 %

Cash and investments held as non-current represent funds not available for current operations.

	2008	2007
Endowments (Note 13)	$ 2,137,147	$ 1,957,443
Deferred capital contributions (Note 10)	519,069	1,102,777
Less funds held by SAIT (Note 18)	(500,632)	(644,591)
Internally restricted for capital (Note 12)	677,109	750,176
Unrealized gain on unrestricted net assets	67,017	-
	$ 2,899,710	$ 3,165,805

Note 5 Investment Income

	2008	2007
Total investment income earned	$ 525,745	$ 452,665
Less: Amount capitalized to endowments (Note 13)	32,616	26,612
Less: Deferred contribution, net (Note 9)	46,543	1,418
Investment income	$ 446,586	$ 424,635

Note 6 Capital Assets

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Facility lease	$ 12,207,000	$ 10,027,295	$ 2,179,705	$ 2,615,646
Furniture and equipment	4,898,842	4,236,802	662,040	709,145
Leasehold improvements	3,552,930	2,202,445	1,350,485	1,114,506
Computer systems	633,973	600,036	33,937	50,320
Art collection	370,317	-	370,317	370,317
	$ 21,663,062	$ 17,066,578	$ 4,596,484	$ 4,859,934

Included in Leasehold Improvements are assets of $55,272 (2007: $29,973) that have not been amortized because the work was not completed and the asset was not in use at June 30, 2008.

During the year, the College received donated assets of $21,048 (2007: $0).

Included in Furniture and Equipment are assets under capital lease that have a cost of $108,108 (2007: $95,278) and accumulated amortization of $58,032 (2007: $36,410).

Note 7 Contractual Obligations

The College leases office equipment under operating leases that expire on various dates to 2011. Future minimum lease payments are as follows:

2009	$ 16,217
2010	16,217
2011	482
	$ 32,916

Note 8 Lease Obligation

The College has entered into capital leases with interest rates ranging from 3.70% to 4.14% (2007: 3.90% to 4.14%).

	2008	2007
Capital lease obligation	$ 51,850	$ 60,941
Less: current portion	(22,775)	(19,539)
Non-current capital lease obligation	$ 29,075	$ 41,402

Note 8 Lease Obligation (continued)

The minimum annual payments under the capital lease obligation are as follows:

2008-2009	$ 23,855
2009-2010	23,855
2010-2011	2,756
2011-2012	2,756
Total minimum lease payments	53,222
Less: amounts representing interest	(1,372)
Capital lease obligation	$ 51,850

During the year, interest on the capital lease obligation amounting to $1,933 (2007: $2,128) has been charged to expense.

Note 9 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for non-capital purposes.

	2008	2007
Contributions received during the year:		
Grants	$ 1,224,073	$ 1,951,099
Donations	1,441,730	845,126
Restricted investment income	97,848	79,837
	2,763,651	2,876,062
Transferred (to) from:		
Endowment	-	(23,603)
Deferred capital contributions (Note 10)	123,698	68,518
	123,698	44,915
Transferred to revenue:		
Grants	(482,314)	(1,181,154)
Donations	(271,182)	(187,343)
Scholarships	(152,863)	(141,023)
Investment income	(51,305)	(78,419)
	(957,664)	(1,587,939)
Increase during the year	1,929,685	1,333,038
Deferred contributions relating to operations, beginning of year	2,426,942	1,093,904
Deferred contributions relating to operations, end of year	4,356,627	2,426,942
Deferred contributions unrealized gain on investments		
Unrealized gain on investments, beginning of year (Note 3)	276,037	-
Change in unrealized gain on investments relating to deferred contributions	(76,974)	-
Unrealized gain on investments, end of year	199,063	-
Total deferred contributions, end of year	$ 4,555,690	$ 2,426,942
The balance consists of funds restricted for:		
Scholarships and bursaries	$ 1,107,837	$ 635,336
Other projects	3,248,790	1,791,606
Unrealized gain on investments	199,063	-
	$ 4,555,690	$ 2,426,942

Note 10 Deferred Capital Contributions

Deferred capital contributions represent unspent funds externally restricted for capital purposes.

	2008	2007
Capital contributions received during the year:	$ -	$ -
Transferred to deferred contributions (Note 9)	(123,698)	(68,518)
Decrease during the year	(123,698)	(68,518)
Transferred to: Unamortized deferred capital contributions (Note 11)	(460,010)	(148,073)
Decrease during the year	(583,708)	(216,591)
Deferred capital contributions, beginning of year	1,102,777	1,319,368
Deferred capital contributions, end of year	$ 519,069	$ 1,102,777

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as earned capital contributions in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2008	2007
Balance at beginning of year	$ 4,081,353	$ 4,650,291
Add: transfers from deferred capital contributions (Note 10)	460,010	148,073
Less: amount earned and transferred to revenue	(774,465)	(717,011)
Balance, end of year	$ 3,766,898	$ 4,081,353

Note 12 Internally Restricted Net Assets

The Board of Governors has placed internal restrictions on net assets as follows:

	2008			
	Opening	Expended	Appropriations	Closing
Non capital:				
Human resource infrastructure	$ 523,312	$ 383,089	$ 188,000	$ 328,223
Scholarship top-up funds	50,000	17,603	-	32,397
Information technology	30,000	30,000	180,000	180,000
Marketing, recruitment, and promotion	43,912	-	-	43,912
Utilities	89,500	-	-	89,500
Health and safety program	79,388	22,383	75,000	132,005
Accreditation	86,326	43,522	-	42,804
Website development and maintenance	31,329	-	-	31,329
Community relations	150,000	-	-	150,000
Special initiatives	370,000	115,491	-	254,509
College expansion initiative	39,473	30	-	39,443
Centre for creative process	150,000	-	-	150,000
Institutional branding	8,931	-	-	8,931
Internationalization	50,000	-	-	50,000
Awards	-	-	100,000	100,000
	1,702,171	612,118	543,000	1,633,053
Capital:				
Security and safety	110,000	30,330	70,000	149,670
Heating, ventilation, and air conditioning	150,000	-	-	150,000
Wireless facility infrastructure	150,000	85,522	-	64,478
Equipment renewal plan	317,747	27,215	-	290,532
Administrative system applications	22,429	-	-	22,429
	750,176	143,067	70,000	677,109
	$ 2,452,347	$ 755,185	$ 613,000	$ 2,310,162

Note 13 Endowments

Endowments consist of restricted donations to the College, the principal of which is not to be spent. The investment earnings generated from the endowments must be used in accordance with the various purposes established by the donors.

Note 13 Endowments (continued)

	2008	2007
Balance, beginning of year	$ 1,957,443	$ 1,859,440
Contributions received	80,734	71,391
Capitalized investment income (Note 5)	32,616	26,612
	2,070,793	1,957,443
Unrealized gain on investments, beginning of year (Note 3)	92,012	-
Change in unrealized gain on investments	(25,658)	-
Unrealized gain on investments, end of year	66,354	-
Balance, end of year	$ 2,137,147	$ 1,957,443

Note 14 Grants

Government contributions and grants consist of:

	2008	2007
Operating grants	$ 10,657,754	$ 9,936,197
Other grants	442,845	1,069,877
Human rights agency	109,429	94,867
	$ 11,210,028	$ 11,100,941

Note 15 Expense by Function

	2008	2007
Expense:		
Instruction	$ 6,744,893	$ 6,642,218
Instructional support	5,569,289	4,881,220
Academic support	3,948,694	2,954,405
Amortization of capital assets	1,042,621	952,201
Student services	1,515,895	1,338,496
Bookstore	679,718	667,146
Minor capital projects and repairs	396,517	679,527
	$ 19,897,627	$ 18,115,213

Note 15 Expense by Function (continued)

Instruction encompasses all educational and instructional programs, including credit programming and continuing education. Academic support includes all activities that directly support instruction, including library, woodshop, gallery and academic administration. Student services include all activities or services provided to students.

Institutional support includes all activities that provide institution-wide administrative and clerical support to institutional operations as well as college fundraising, communications and development expense.

Bookstore includes cost of sales and direct bookstore operations costs. Direct salary costs incurred for the College bookstore include support for college wide purchase, receipt and distribution of all materials for instructional, operational and retail purposes.

Note 16 Salaries and Benefits

Directive 12/98 (amended June 13, 2007) from the Treasury Board of the Province of Alberta requires the College to disclose certain salaries and benefits. Those salaries and benefits are as follows:

				2008	2007
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
Governance (5)					
Chair of Board of Governors	$ -	$ 717	$ -	$ 717	$ 717
Members of Board of Governors	-	7,883	-	7,883	7,883
Executive					
President	203,300	62,600	26,156	292,056	261,077
Vice President Academic	125,237	2,400	18,001	145,638	139,797
Chief Operating Officer (4)	-	-	-	-	27,256
Vice President Finance and Corporate Services (4)	123,000	2,400	20,285	145,685	102,046
Director Human Resources	92,769	-	15,755	108,524	86,479
Director Student Services (6)	101,689	66,843	18,210	186,742	114,255
Vice President External Affairs (7)	53,000	2,400	7,952	63,352	80,149
	$ 698,995	$ 145,243	$ 106,359	$ 950,597	$ 819,659

1. Base salary includes pensionable base pay and retroactive pay increases.

2. Other cash benefits include honoraria, housing allowance, vehicle allowance, bonuses, vacation payouts, and retirement payouts.

Note 16 Salaries and Benefits (continued)

3. Other non-cash benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including Local Authorities Pension, Employment Insurance, Canada Pension Plan, health care, extended health, vision and dental coverage, group life insurance, accidental disability and dismemberment, workers' compensation, employee assistance, and the executive supplemental pension payment for the President.
4. The retired Chief Operating Officer was hired to fill a temporary position effective July 1 to September 30, 2006. The Vice President Finance and Corporate Services was filled starting October 1, 2006.
5. The majority of the 12 College Board members do not accept honoraria from the College. From total amount of $8,600 (2007:$8,600), $8,600 (2007: $8,383) was not accepted by members, and allocated to Board projects shown in the financial statements as deferred contributions.
6. The Director of Student Services received a retirement payout at June 30, 2008, which is included in other cash benefits.
7. The Vice President External Affairs commenced employment at the College December 2006. This position was vacant from February to June 2008.

Note 17 Employee Future Benefits

The College Board of Governors has provided provisions for early retirement plans for College employees.

The College participates in a multiemployer pension plan, the Local Authorities Pension Plan. The expense for this plan is $627,573 for the year ended June 30, 2008 (2007 - $538,347). At December 31, 2007, the Local Authorities Pension Plan reported a deficiency of $1,183,334,000 (2006: deficiency of $746,651,000).

Note 18 Related Party Transactions

a) Province of Alberta

The College is a Provincial Corporation as all members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology. Transactions between the College and the Province are disclosed as follows:

	2008		2007	
	Revenue	Deferred Contributions and UDCC *	Revenue	Deferred Contributions and UDCC *
Grants	$ 11,054,537	$ 2,511,567	$ 11,050,653	$ 2,249,729

* Unamortized deferred capital contributions.

b) Southern Alberta Institute of Technology

The land and building which house the College are owned by the Southern Alberta Institute of Technology (the "Institute") and are occupied by the College under a facility license granted by the Institute and continuing occupancy at the pleasure of the Minister of Advanced Education and Technology. The College and the Institute are parties to letters of agreement for the provision of utilities, maintenance and systems support. Amounts paid or payable to the Institute in 2008 for these purposes totalled $1,196,498 (2007: $1,140,208).

The Institute received grants of $0 (2007: $230,000) from the province that are designated for the building occupied by the College. The Institute still holds $500,632 (2007: $644,591) of government grant funds that are to be used for the building envelope and utilities infrastructure. The amount has been recorded as a capital contribution receivable. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

c) Bow Valley College

The College and Bow Valley College collaborate in offering Artstream, a base funded program, which provides academic upgrading and foundation art courses to students in preparation for entry into the College's diploma or degree programs. Amounts received from Bow Valley College in 2008 for these purposes totalled $63,653 (2007: $52,230).

Note 19 Comparative Figures

Certain June 30, 2007 figures have been reclassified to conform to current year presentation.

Note 20 Approval of Financial Statements

These financial statements were approved by the Board of Governors at the October 22, 2008 meeting of the Board.

BOW VALLEY COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2008

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Bow Valley College

I have audited the statement of financial position of the Bow Valley College as at June 30, 2008 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
October 27, 2008

BOW VALLEY COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2008

	2008	2007
Assets		
Current:		
Cash and cash equivalents (Note 4)	$ 15,290,696	$ 14,616,092
Accounts receivable	4,166,788	3,694,219
Inventories (Note 5)	809,926	778,024
Prepaid expenses	540,853	554,269
	20,808,263	19,642,604
Non-current cash and investments (Note 4)	50,363,828	44,655,765
Capital assets (Note 7)	86,575,955	40,392,707
	$ 157,748,046	$ 104,691,076
Liabilities and Net Assets		
Current:		
Accounts payable and accrued liabilities	$ 9,704,198	$ 7,321,162
Deferred contributions (Note 8)	3,597,508	2,937,519
Unearned revenue (Note 12)	2,337,424	2,542,835
Accrued vacation pay	2,249,550	1,911,896
Lease obligation	-	7,925
	17,888,680	14,721,337
Other long-term liabilities (Note 7)	352,054	539,116
Unamortized deferred capital contributions (Note 10)	63,005,487	36,666,781
Deferred capital contributions (Note 9)	29,849,624	28,516,331
	111,095,845	80,443,565
Net assets:		
Unrestricted	5,204,702	4,363,880
Internally restricted (Note 24)	19,512,051	15,323,361
Invested in capital assets (Note 23)	20,902,486	3,718,001
Endowments (Note 3)	1,032,962	842,269
	46,652,201	24,247,511
	$ 157,748,046	$ 104,691,076

The accompanying notes are part of these financial statements.

BOW VALLEY COLLEGE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
Revenue:		
Provincial government contributions and grants (Note 13)	$ 29,023,595	$ 25,310,952
Tuition fees	12,068,456	11,944,824
Entrepreneurial contracts and other grants (Note 14)	11,483,726	10,432,311
Ancillary and other services (Note 15)	1,341,272	1,268,624
Investment income (Note 16)	1,585,459	941,910
Donations, contributions, and fundraising	1,060,596	895,391
Amortization of deferred capital contributions (Note 10)	1,430,647	1,444,696
	57,993,751	52,238,708
Expense:		
Compensation and benefits	35,454,437	31,821,468
Supplies and services (Note 18)	14,117,755	11,519,802
Amortization of capital assets	1,965,006	2,158,369
Cost of goods sold (Note 6)	843,688	803,698
Scholarship and bursaries	660,212	326,105
Loss on disposal of capital assets	1,825	540
	53,042,923	46,629,982
Excess of revenue over expense	$ 4,950,828	$ 5,608,726

The accompanying notes are part of these financial statements.

BOW VALLEY COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	2008					2007
	Unrestricted	Internally Restricted (Note 24)	Invested in Capital Assets (Note 23)	Endowments (Note 3)	Total	Total
Balance as of June 30, 2007	$ 4,363,880	$ 15,323,361	$3,718,001	$ 842,269	$24,247,511	$18,580,498
Opening adjustment for change in accounting policy (Note 2(a))	70,874	-	-	-	70,874	-
Adjusted net assets balance at July 1, 2007	4,434,754	15,323,361	3,718,001	842,269	24,318,385	18,580,498
Excess of revenue over expense	4,950,828	-	-	-	4,950,828	5,608,726
Net assets restricted by the Board:						
Facilities improvement	(1,039,856)	1,039,856	-	-	-	-
Special initiatives fund	(2,300,000)	2,300,000	-	-	-	-
College technology plan	(842,000)	842,000	-	-	-	-
Board of Governors' scholarship	(4,613)	4,613	-	-	-	-
Academic excellence scholarship and endowment	(124,111)	2,221	-	121,890	-	-
Contribution of land	-	-	17,314,185	-	17,314,185	-
Acquisition of internally funded capital assets	(400,302)	-	400,302	-	-	-
Amortization of internally funded capital assets	534,359	-	(534,359)	-	-	-
Net book value of disposed assets-internally funded	3,568	-	(3,568)	-	-	-
Repayment of obligation under capital lease	(7,925)	-	7,925	-	-	-
Contributions to endowment	-	-	-	68,803	68,803	58,287
Increase in net assets	769,948	4,188,690	17,184,485	190,693	22,333,816	5,667,013
Net assets, end of year	$ 5,204,702	$ 19,512,051	$20,902,486	$ 1,032,962	$46,652,201	$ 24,247,511

The accompanying notes are part of these financial statements.

BOW VALLEY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
Operating activities:		
Excess of revenue over expense	$ 4,950,828	$ 5,608,726
Non-cash transactions:		
Amortization of deferred capital contributions (Note 10)	(1,430,647)	(1,444,696)
Amortization of capital assets - externally funded	1,430,647	1,444,156
Amortization of capital assets - internally funded	534,359	714,213
Unrealized gain on investments	(2,101)	-
Loss on disposal of capital assets	1,825	540
	5,484,911	6,322,939
Net change in non-cash working capital (Note 22)	2,750,186	6,377,472
Cash generated from operating activities	8,235,097	12,700,411
Investing activities:		
Increase in non-current cash and cash equivalents	(5,708,063)	(22,153,653)
Unrealized loss on investments	52,877	-
Acquisition of capital assets - externally funded	(27,769,353)	(19,355,540)
Acquisition of capital assets - internally funded	(400,302)	(530,618)
Acquisition of capital assets - change in working capital (Note 7)	(2,667,982)	-
Proceeds on disposal of capital assets	1,743	-
Cash applied to investing activities	(36,491,080)	(42,039,811)
Financing activities:		
Net capital contributions received (Note 9)	29,056,771	37,419,258
(Decrease)/Increase in other long-term liabilities	(187,062)	539,116
Endowment contributions	68,803	58,287
Payment on capital leases	(7,925)	(7,368)
Cash generated from financing activities	28,930,587	38,009,293
Increase in cash	674,604	8,669,893
Cash and cash equivalents, at beginning of year	14,616,092	5,946,199
Cash and cash equivalents, at end of year	$ 15,290,696	$ 14,616,092

The accompanying notes are part of these financial statements.

Note 1 Authority and Purpose

Bow Valley College operates under the authority of the Post Secondary Learning Act, Statutes of Alberta 2003, Chapter P-19.5.

The College serves primarily the City of Calgary and communities in Southern Alberta. The College provides instruction and training to assist adult learners through academic upgrading programs; career entry training in business, health, and service industries; and English as a second language programs. The College maintains a special interest in providing programs and services to aboriginal communities.

The College is a registered charity and is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates that may vary from actual results. The following accounting policies are considered significant:

(a) Change in Accounting Policy

Effective July 1, 2007, Bow Valley College adopted the new financial instrument standards as described in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 Financial Instruments – Recognition and Measurement and Section 3861 Financial Instruments – Presentation and Disclosure. The College does not use hedge accounting and accordingly, is not impacted by the requirements of Section 3865 Hedges. The College as a Not-for-Profit Organization has elected not to apply the standards for embedded derivatives in non-financial contracts.

Certain transitional adjustments have been recorded in opening net assets, deferred contributions and deferred capital contributions as of July 1, 2007 (transitional date) for the change in accounting for financial assets classified as held-for-trading and measured at fair value, rather than cost.

The changes in accounting policies for the adoption of CICA 3855 and 3861 were applied retrospectively, without restatement of the prior year's financial statements. An adjustment to the opening statement of financial position at July 1, 2007 has been recorded. Investments increased $152,088 due to the changes in fair value from cost. This was recorded as a direct increase in unrestricted net assets of $70,874, an unrealized gain on investments relating to deferred contributions of $49,641 (Note 8), and an unrealized gain on investments relating to deferred capital contributions of $31,573 (Note 9).

Financial assets classified as held for trading are measured at fair value with changes in fair value recognized in the statement of operations, deferred contributions or deferred capital contributions as appropriate until realized.

Upon implementation of the new standards, the College has classified its financial assets and liabilities as follows:

- Cash and investments are classified as held-for-trading. Investments are presented on the statement of financial position at fair value. Transaction costs related to these investments are recorded in the Statement of Operations for the period, when they are expensed.
- Accounts receivable are classified as loans and receivables. After initial fair value measurement, they are measured at amortized cost.
- Accounts payable, accrued liabilities and accrued vacation pay are classified as other financial liabilities. After initial fair value measurement, they are measured at amortized cost.

(b) Revenue Recognition

Unrestricted Contributions

Unrestricted operating grants and other contributions are recognized as revenue in the period receivable. Operating grants received for use in a future period are deferred until that future period.

Restricted Contributions

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired.

Unamortized deferred capital contributions are recognized in revenue as amortization of deferred capital contributions in the period in which the related capital assets are amortized. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Investment Income

Unrestricted investment income is recognized in the year it is earned. Unrealized gains and losses on held-for-trading unrestricted investments are recorded in the statement of operations.

Investment income subject to external restrictions is, depending on the nature of the restriction, recorded as direct increases to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred. Unrealized gains and losses on investments attributed to endowments are recorded in deferred contributions. Unrealized gains and losses on investments attributed to external capital contributions with externally imposed restrictions on the investment income are recorded in deferred capital contributions.

Program Delivery

Amounts received for tuition fees and sale of goods and services are recognized as revenue in the period in which the programs, goods or services are provided.

Revenue from contract programs are determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

Pledges

Pledges are recognized as revenue when collected.

(c) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets, which are recorded at fair value, when fair value is reasonably determined.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Building	22 years
Furniture and equipment	10 years
Computer equipment and related software	3-5 years
Educational resources	2 years
Intellectual property	2 years

Leasehold and site improvements are amortized over the lower of the expected useful life of the related buildings or the remaining term of the lease.

Assets under capital leases are amortized on a basis that is consistent with the above.

Capital assets under construction are not amortized until construction is complete and the assets are ready for productive use.

The fair value of a liability for an asset retirement obligation is recognized in the period incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the asset and amortized over its estimated useful life.

(d) Inventories

Inventories that are comprised of goods for resale are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis. Inventories held for consumption are valued at the lower of cost and replacement value using weighted average.

(e) Investments

Cash and investments are recorded at market value with unrealized gains and losses recorded in the statement of operations, deferred contributions, and deferred capital contributions.

Fixed income and marketable equity securities are classified as held-for-trading, and are recorded at fair value at each reporting period date. These investments are initially recognized at acquisition cost, purchase price plus transaction costs, and subsequently measured at fair value based on the closing market prices.

(f) Financial Instruments

The fair values of the College's accounts receivable, accounts payable and accrued liabilities and accrued vacation pay are valued in accordance with the method as described in Note 2 (a).

The College is exposed to currency risk (the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates); interest rate risk (the risk that the value of a financial instrument will fluctuate due to changes in market interest rates); and market risk (the risk that the value of a financial instrument will fluctuate as a result of changes in market prices).

It is management's opinion that the College is not exposed to significant currency, interest or market risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value.

(g) Employee Future Benefits

The College participates in the Public Service Pension Plan (PSPP) and the Management Employees Pension Plan (MEPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates, which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

Note 3 Endowments

Endowments consist of externally restricted donations to the College, the principal of which is required to be maintained in perpetuity as well as any internal allocations by the Board. The investment income from endowments must be used in accordance with the purpose established by the donor or the Board.

	2008	2007
Externally restricted	$ 834,201	$ 765,398
Internally allocated	198,761	76,871
	$ 1,032,962	$ 842,269

Note 4 Cash and Investments, and Non-current Cash

Cash funds are invested in a daily interest earnings account with a Canadian chartered bank. The rates earned during the year ranged from 2.0% to 3.5% (2007: remained constant at 3.25%).

	2008	2007
Investments	$ 64,592,176	$ 51,021,484
Cash	1,062,348	8,250,373
Non-current	(50,363,828)	(44,655,765)
	$ 15,290,696	$ 14,616,092

Non-current cash and investments consist of amounts not available for current operations and include:

	2008	2007
Deferred capital contributions (Note 9)	$ 29,849,624	$ 28,516,331
Long-term internally restricted net assets (Note 24)	19,481,242	15,297,165
Endowments	1,032,962	842,269
	$ 50,363,828	$ 44,655,765

The College Board of Governors has approved an investment policy. The primary investment objectives are to preserve capital and achieve a growth rate beyond the rate of inflation.

	2008		2007	
	Cost	Market	Cost	Market
Money market investments	$ 35,706,118	$ 36,123,013	$ 25,712,639	$ 25,790,817
Canadian bonds	22,075,735	22,070,567	19,675,383	19,324,000
Equities (1)	6,757,446	6,398,596	5,633,462	6,058,755
	$ 64,539,299	$ 64,592,176	$ 51,021,484	$ 51,173,572
(1) Equity distribution:				
Canadian equities	$ 6,269,611	$ 5,961,839	$ 5,208,424	$ 5,602,170
US equities	222,278	185,966	209,155	203,435
International equities	265,557	250,791	215,883	253,150
	$ 6,757,446	$ 6,398,596	$ 5,633,462	$ 6,058,755

The effective yield on the money market investments ranged from 2.41% to 3.58% (2007: 4.37% to 5.10%), bond investments ranged from 4.23% to 4.66% (2007: 4.70% to 5.00%), and equities ranged from 1.71% to 4.71% (2007: 1.60% to 3.03%). Bond investments have an average term of 8.5 years (2007: 9.5 years).

Note 5 Inventories

	2008	2007
Books and educational materials	$ 442,778	$ 472,016
Artwork	124,706	124,706
Consumable supplies	242,442	181,302
	$ 809,926	$ 778,024

Note 6 Cost of Goods Sold

Cost of goods sold consists of books and educational materials as follows:

	2008	2007
Bookstore	$ 773,639	$ 729,694
Continuing Education	22,193	21,218
Test Of Workplace Essential Skills	47,856	52,786
	$ 843,688	$ 803,698

Note 7 Capital Assets

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	$20,820,299	$ 7,506,024	$ 13,314,275	$14,260,651
Campus expansion - work in progress	48,360,571	-	48,360,571	21,115,232
Land	22,287,864	-	22,287,864	2,305,697
Computer equipment and related software	6,587,628	5,915,645	671,983	599,772
Furniture and equipment	2,891,234	1,721,626	1,169,608	1,371,533
Leasehold and site improvements	2,909,422	2,138,018	771,404	738,819
Educational resources	118,388	118,138	250	1,003
Intellectual property	63,944	63,944	-	-
	$104,039,350	$ 17,463,395	$ 86,575,955	$ 40,392,707

Included in capital assets are items that have not been amortized as the work was not completed and the asset was not in use as of June 30.

	2008	2007
Campus expansion - work in progress	$ 48,360,571	$21,115,232

Included in furniture and equipment are assets under capital leases with an original cost of $301,269 (2007: $301,269) and accumulated amortization of $294,050 (2007: $250,565).

The College also disposed of capital assets with an original cost of $25,527 (2007: $69,858) and accumulated amortization of $21,959 (2007: $69,318).

Other long-term liabilities relate to an asset retirement obligation of $352,054 (2007: $539,116). The asset retirement obligation represents the legal obligation associated with the refurbishment of a section of the building, and the demolishment of a building.

Included in accounts payables and campus expansion – work in progress are $2,667,982 that relate to capital additions, associated with demolishing a building.

Note 8 Deferred Contributions

	2008	2007
Contributions received during the year:		
Conditional funding	$ 3,860,355	$ 2,460,655
Donations and contributions	1,241,170	959,047
Entrepreneurial contracts and other grants	1,056,143	1,590,900
	6,157,668	5,010,602
Transferred to deferred capital contributions (Note 9)	(59,141)	-
	6,098,527	5,010,602
Deferred contributions relating to unrealized gain on investments:		
Unrealized gain on investments, beginning of year, as restated (Note 2 (a))	49,641	-
Change in unrealized gain on investments relating to deferred contributions	(115,614)	-
Unrealized loss on investments, end of year	(65,973)	-
	6,032,554	5,010,602
Transferred to:		
Conditional funding (Note 13)	(4,292,241)	(2,868,807)
Donations and contributions	(774,442)	(559,213)
Entrepreneurial contracts and other grants	(181,882)	(200,058)
Endowments	(124,000)	-
	(5,372,565)	(3,628,078)
Increase during the year	659,989	1,382,524
Deferred contributions, beginning of year	2,937,519	1,554,995
Deferred contributions, end of year	$ 3,597,508	$ 2,937,519
Unspent amounts at the end of the year are restricted for the following purposes:		
Fund Development	$ 1,597,206	$ 1,587,409
Student Awards	1,305,939	649,817
Learning Services	274,131	293,534
Health Community Care	236,500	294,500
Academic Foundations	94,534	9,314
Centre for Career Advancement	85,746	85,745
English as a Second Language	69,425	2,500
International Education	-	14,700
Unrealized loss on related investments	(65,973)	-
	$ 3,597,508	$ 2,937,519

Note 9 Deferred Capital Contributions

	2008	2007
Contributions received during the year:		
Grant for college renovation project	$27,900,000	$36,500,000
Restricted investment income (Note 16)	545,130	430,258
Access to the Future fund – information technology	230,000	-
Grant for practical nurse health workforce program	222,500	-
Grant for Alberta post-secondary application system	100,000	-
Grant for infrastructure maintenance program	-	436,000
Leasehold improvement	-	53,000
	28,997,630	37,419,258
Transferred from deferred contributions (Note 8)	59,141	-
	29,056,771	37,419,258
Deferred capital contributions relating to unrealized gain on investments:		
Unrealized gain on investments, beginning of year, as restated (Note 2 (a))	31,573	-
Change in unrealized gain on investments relating to deferred capital contributions	14,302	-
Unrealized gain on investments, end of year	45,875	-
	29,102,646	37,419,258
Transferred to:		
Unamortized deferred capital contributions (Note 10)		
College renovation project	(27,214,832)	(19,228,432)
Infrastructure maintenance program	(373,661)	(86,501)
Alberta post-secondary application system	(95,696)	-
Practical nurse program	(38,255)	-
Practical nurse health workforce program	(25,150)	-
Leasehold improvements	(12,393)	(40,607)
Health services	(9,366)	-
	(27,769,353)	(19,355,540)
Increase during the year	1,333,293	18,063,718
Deferred capital contributions, beginning of year	28,516,331	10,452,613
	$29,849,624	$28,516,331
Unspent amounts at end of year are restricted for the following purposes:		
College renovation project	$29,317,011	$28,086,713
Information technology	230,000	
Practical nurse health workforce program	222,500	-
Student association awards	24,625	-
Alberta post-secondary application system	4,304	-
Instructional related equipment	3,564	3,564
Practical nurse	1,745	40,000
Infrastructure maintenance program	-	373,661
Leasehold improvements	-	12,393
Unrealized gain on related investments	45,875	-
	$29,849,624	$28,516,331

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized in future periods. Changes in the unamortized deferred capital contributions balances are as follows:

	2008	2007
Balance at the beginning of year	$ 36,666,781	$ 18,755,937
Add: Purchase of capital assets (Note 9)	27,769,353	19,355,540
Less: Amortization of deferred capital contributions	(1,430,647)	(1,444,696)
	$ 63,005,487	$ 36,666,781

Note 11 Contractual Obligations and Contingencies

a) Lease Commitments

Future minimum annual lease payments under operating leases are:

Fiscal year:		
	2009	$ 3,428,768
	2010	$ 4,366,840
	2011	$ 4,286,363
	2012	$ 4,204,941
Thereafter		$ 4,005,323

b) As at June 30, 2008, the College has commitments of $33,014,303 (2007: $47,839,731) for capital and expansion projects.

c) The College, in the conduct of its normal activities, is named defendant in a legal proceeding. While the ultimate outcome of this proceeding cannot be reasonably estimated at this time, the College believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the College.

Note 12 Unearned Revenue

Unearned revenue is summarized as follows:

	2008	2007
Tuition fees	$ 1,986,923	$ 1,864,170
Contract programs	350,501	678,665
	$ 2,337,424	$ 2,542,835

Note 13 Provincial Government Contributions and Grants

	2008	2007
Provincial government contributions and grants consist of:		
General operating grant	$ 24,731,354	$ 22,442,145
Conditional funding, provincial (Note 8)	4,292,241	2,868,807
	$ 29,023,595	$ 25,310,952

Note 14 Entrepreneurial Contracts and Other Grants

Entrepreneurial contracts and other grants consist of:

	2008	2007
Government contracts	$ 8,309,170	$ 7,917,056
Other agencies and private sector	3,174,556	2,515,255
	$ 11,483,726	$ 10,432,311

Note 15 Ancillary and Other Services

Ancillary and other services consist of:

	2008	2007
Ancillary Department	$ 1,216,204	$ 1,143,839
Centre for Career Advancement/TOWES	14,193	26,157
Academic Departments	109,389	95,040
Other sales	1,486	3,588
	$ 1,341,272	$ 1.268,624

Note 16 Investment Income

	2008	2007
Total investment income earned	$ 2,193,514	$ 1,416,468
Less transferred to deferred contributions	(65,026)	(44,300)
Less transferred to deferred capital contributions (Note 9)	(545,130)	(430,258)
Add unrealized gain on investments	2,101	-
	$ 1,585,459	$ 941,910

Note 17 Pension Expense

Bow Valley College participates in two multi-employer pension plans, Public Services Pension Plan (PSPP) and the Management Employees Pension Plan (MEPP). The expense for these plans was $1,930,005 for the year ended June 30, 2008 (2007: $1,599,005).

At December 31, 2007, the MEPP reported a deficiency of $84,341,000 (2006 deficiency $6,765,000).

At December 31, 2007, the PSPP reported a deficiency of $92,070,000 (2006 surplus $153,024,000).

Note 18 Supplies and Services

	2008	2007
Professional contracted services	$ 2,276,281	$ 2,605,485
Facility leases	3,061,347	2,209,358
Advertising	1,854,892	1,095,066
Maintenance and renovations	1,450,301	1,079,318
Instructional and office supplies	1,020,023	1,039,565
Utilities	693,256	645,562
Travel	761,876	595,245
Non-capital furniture and equipment	644,331	306,011
Telecommunications and rentals	302,817	230,805
Equipment leases	365,632	219,504
Computer costs	423,400	324,654
Freight and postage	197,238	201,729
Bank charges and lease interest	134,292	140,044
Memberships and subscriptions	131,058	115,960
Insurance	75,130	84,623
Other supplies and services	725,881	626,873
	$ 14,117,755	$ 11,519,802

Note 19 Related Parties

The College is a Provincial Corporation. The members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology. Transactions between the College and the Province and closing balances are disclosed as follows:

2008

	Transactions				Closing Balances	
	Revenue	Unamortized Deferred Capital Contributions	Deferred Contributions and Deferred Capital Contributions	Unearned Revenue	Accounts Receivable	Accounts Payable
General operating grant	$24,731,354	$ -	$ -	$ -	$ -	$ -
Conditional Funding	4,292,241	27,759,987	1,316,770	-	91,380	-
	29,023,595	27,759,987	1,316,770	-	91,380	-
Contract programs	3,090,151	-	-	362,745	947,101	19,004
	$32,113,746	$ 27,759,987	$ 1,316,770	$ 362,745	$1,038,481	$ 19,004

2007

	Transactions				Closing Balances	
	Revenue	Unamortized Deferred Capital Contributions	Deferred Contributions and Deferred Capital Contributions	Unearned Revenue	Accounts Receivable	Accounts Payable
General operating grant	$22,442,145	$ -	$ -	$ -	$ -	$ -
Conditional Funding	2,868,807	18,272,639	19,835,109	-	86,236	-
	25,310,952	18,272,639	19,835,109	-	86,236	-
Contract programs	3,378,617	-	-	208,431	548,087	17,974
	$28,689,569	$ 18,272,639	$ 19,835,109	$ 208,431	$ 634,323	$ 17,974

During the year, Bow Valley College had business transactions with other public colleges, technical institutes and universities in Alberta. These transactions were at market prices on normal terms of purchase and sale.

On April 1, 2008, land owned by the Ministry of Alberta Infrastructure was transferred to the College. The College has recorded the transaction at a fair market value of $17,314,185.

Note 20 Salaries and Benefits

The salary and benefit disclosure is provided pursuant to Treasury Board Directive 12/98, (as amended June 13, 2007) and includes only the salaries and benefits of those individuals in the senior decision making group of the College.

	2008				2007
	Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
Board of Governors (4)	$ -	$ 8,276	$ -	$ 8,276	$ 7,810
President and Chief Executive Officer	202,270	40,874	16,579	259,723	244,108
Vice President, Learning Services	157,500	1,059	30,460	189,019	167,583
Vice President, College Services (6)	143,702	9,000	27,453	180,155	166,687
Vice President, External Relations	110,146	52,670	9,232	172,048	164,770
Director, Development and Partnerships	115,940	15,000	31,992	162,932	138,806
Vice President, Campus Development (7)	60,000	15,000	17,053	92,053	-
Vice President, Enrolment & Learner Services (5)	18,788	-	4,598	23,386	-
	$ 808,346	$ 141,879	$ 137,367	$1,087,592	$ 889,764

(1) Salary includes pensionable base pay.

(2) Other cash benefits include bonuses, vacation payments, overtime, lump sum payments and honoraria.

(3) Other non-cash benefits include College's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental death and dismemberment insurance, long and short term disability plan, Employment Insurance, Canada Pension Plan, Workers' Compensation, professional memberships, and tuition fees.

(4) The majority of the eleven College board members do not accept honoraria from the College. From total amount of the $8,276 (2007: $7,810) for board honoraria, $7,760 (2007: $7,460) was not accepted by members, and was allocated to student scholarships.

(5) The Position of Vice President Enrolment and Leaner Services is a new position created in 2007-2008. The incumbent commenced employment at the College on May 20, 2008.

(6) The position of Vice President College Services was occupied by two individuals. Amount reported for the Vice President College Services includes the amounts paid to the two individuals, one for the period from July 1, 2007 to December 31, 2007 and the other from January 2, 2008 to June 30, 2008.

(7) The position of Vice President, Campus Development is a new position created in 2007-2008. The incumbent transferred to this position from the position of Vice President, College Services on January 2, 2008.

Note 21 **Budget**

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Advanced Education and Technology for his approval. The 2007-2008 College Budget was approved by the Board of Governors on May 22, 2007.

Revenue:	
Provincial government contributions and grants	$ 27,552,638
Tuition fees	14,722,955
Entrepreneurial contracts and other grants	10,780,134
Ancillary and other services	1,478,560
Investment income	785,000
Donations and contributions	873,300
Amortization of deferred capital contributions	1,302,000
	57,494,587
Expense:	
Compensation and benefits	$ 36,757,564
Supplies and services	16,303,000
Amortization of capital assets	1,793,000
Cost of goods sold	970,373
Scholarships and bursaries	627,400
	56,451,337
Excess of revenue over expense	$ 1,043,250

Note 22 Changes in Non-Cash Working Capital

	2008	2007
(Increase) in accounts receivable	$ (472,569)	$ (1,269,054)
(Increase) in inventories	(31,902)	(21,085)
Decrease (increase) in prepaid expenses	13,416	(340,006)
Increase in accrued vacation pay	337,654	95,001
Increase in accounts payable and accrued liabilities	2,383,036	5,455,816
(Decrease) increase in unearned revenue	(205,411)	1,074,276
Increase in deferred contributions	725,962	1,382,524
	$ 2,750,186	$ 6,377,472

Note 23 Net Assets Invested in Capital Assets

	2008	2007
Capital assets at net book value	$ 86,575,955	$ 40,392,707
Acquisition of capital assets-change in working capital (Note 7)	(2,667,982)	-
Financed by debt	-	(7,925)
Unamortized deferred capital contributions	(63,005,487)	(36,666,781)
	$ 20,902,486	$ 3,718,001

Note 24 Internally Restricted Net Assets

The Board of Governors has designated the following funds as restricted net assets:

	2007/2008			
	Opening Balance	Appropriations	Expended	Ending Balance
Facilities improvement	$ 13,055,000	$ 1,039,856	$ -	$ 14,094,856
Special initiatives fund	1,400,000	2,300,000	-	3,700,000
College technology plan	-	842,000	-	842,000
Fund development	679,763	-	-	679,763
Academic excellence scholarship and endowment	162,402	124,111	(121,890)	164,623
Board of Governors' scholarship	26,196	7,760	(3,147)	30,809
	$ 15,323,361	$ 4,313,727	$ (125,037)	$ 19,512,051

Note 25 Pledges

In October 2001, the College embarked on a $10,000,000 integrated fundraising campaign. As at June 30, 2008 outstanding pledges were $1,512,996 (2007: $1,274,111).

Note 26 Comparative Figures

Certain June 30, 2007 figures have been reclassified to conform to the current year presentation.

Note 27 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Grande Prairie Regional College

I have audited the consolidated statement of financial position of the Grande Prairie Regional College as at June 30, 2008 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 8, 2008

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

	2008	2007
ASSETS		
Current		
Cash	$ 10,232,471	$ 2,336,267
Accounts receivable	916,940	670,704
Inventories (Note 3)	518,999	478,660
Prepaid expenses	172,207	161,138
	11,840,617	3,646,769
Investments (Note 4)	19,253,547	13,901,420
Capital assets (Note 5)	40,299,237	39,175,049
	$ 71,393,401	$ 56,723,238
LIABILITIES AND NET ASSETS		
Current		
Accounts payable	$ 2,350,906	$ 1,804,117
Accrued vacation pay	1,457,782	1,264,668
Unearned revenue	150,543	362,935
Leave programs (Note 6)	180,745	402,099
Deferred contributions (Note 7)	4,126,692	1,764,259
Current portion of long-term debt (Note 9)	264,691	190,314
	8,531,359	5,788,392
Non-current		
Long-term debt (Note 9)	12,607,165	8,571,856
Deferred capital contributions (Note 8)	7,783,608	3,224,126
Unamortized deferred capital contributions (Note 10)	26,969,635	26,329,286
	55,891,767	43,913,660
Net assets		
Endowments (Note 11)	3,141,901	2,911,308
Investment in capital assets	4,017,005	4,083,593
Internally restricted net assets (Note 12)	5,192,082	2,199,530
Unrestricted net assets		
Accumulated net unrealized gain (loss) on investments (Note 13)	(64,287)	-
Accumulated excess of revenue over expenses	3,214,933	3,615,147
	15,501,634	12,809,578
	$ 71,393,401	$ 56,723,238

The accompanying notes are an integral part of these consolidated financial statements.

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2008

	2008		2007
	Budget (Note 14)	Actual	Actual
Revenue			
Grants	$ 21,612,705	$ 23,020,962	$ 20,640,398
Tuition and related fees	7,087,990	6,923,747	6,834,117
Sales, rentals and services	3,970,792	4,395,549	4,009,882
Contract programs	1,458,459	1,354,036	1,189,205
Fund raising and donations	841,300	1,271,068	1,026,152
Investments	425,000	1,009,831	669,027
	35,396,246	37,975,193	34,368,781
Amortization of deferred capital contributions (Note 10)	1,985,000	1,403,677	1,946,930
	37,381,246	39,378,870	36,315,711
Expense			
Salaries and benefits (Note 15)	23,241,741	22,571,063	21,186,311
Supplies and services (Note 16)	9,022,121	9,584,620	8,477,600
Amortization of capital assets	2,645,000	2,297,992	2,728,289
Utilities	961,650	967,922	856,865
Cost of goods sold	911,922	946,017	857,583
Scholarships and bursaries	225,000	250,476	280,186
Loss on disposal of capital assets	-	35,030	330,768
	37,007,434	36,653,120	34,717,602
Excess of revenue over expense	$ 373,812	$ 2,725,750	$ 1,598,109

The accompanying notes are an integral part of these consolidated financial statements.

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008

	2008						2007
	Endowments	Investment in Capital Assets	Internally Restricted Net Assets	Accumulated Net Unrealized Loss on Investments	Unrestricted Net Assets	Total	Total
Excess of revenue over expense	$ -	$ -	$ -		$ 2,725,750	$ 2,725,750	$ 1,598,109
External endowment contributions	230,593	-	(200,000)		-	30,593	11,211
Transfers							
Acquisition of internally funded capital assets	-	759,777	-	-	(759,777)	-	-
Payment of long term debt principal	-	190,314	-	-	(190,314)	-	-
Net book value on disposal of capital assets	-	(122,364)	-	-	122,364	-	-
Amortization of internally funded capital assets	-	(894,315)	-	-	894,315	-	-
Internal restrictions	-	-	3,192,552		(3,192,552)	-	-
Decrease in net unrealized gain on investments	-	-	-	(67,543)	-	(67,543)	-
Increase (decrease) in net assets	230,593	(66,588)	2,992,552	(67,543)	(400,214)	2,688,800	1,609,320
Net assets at beginning of year	2,911,308	4,083,593	2,199,530	-	3,615,147	12,809,578	11,200,258
Adjustment effective July 1, 2007 (Notes 2(c) and 13)	-	-	-	3,256	-	3,256	
Net assets at end of year	$ 3,141,901	$ 4,017,005	$5,192,082	$ (64,287)	$ 3,214,933	$ 15,501,634	$ 12,809,578

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

	2008	2007
Operating activities		
Excess of revenue over expense	$ 2,725,750	$ 1,598,109
Add (deduct) non-cash transactions		
Amortization of capital assets	2,297,992	2,728,289
Loss on disposal of capital assets	35,030	330,768
Amortization of deferred capital contributions	(1,403,677)	(1,946,930)
Amortization of investment discount	-	(290,505)
	3,655,095	2,419,731
Changes in non-cash working capital (Note 19)	1,732,070	835,662
Cash generated from operating activities	5,387,165	3,255,393
Investing activities		
Proceeds on disposal of capital assets	87,334	36,798
Acquisition of capital assets	(3,544,544)	(6,620,904)
Net disposal (acquisition) of investments	(5,430,705)	(1,440,772)
Cash applied to investing activities	(8,887,915)	(8,024,878)
Financing activities		
Construction payables	653,167	-
Proceeds of capital loan	4,300,000	5,800,000
Payment of capital lease principal	-	(118,006)
Payment of long term debt principal	(190,314)	(137,537)
Endowment contributions	30,593	11,211
Capital contributions (Note 8)	6,603,508	1,233,899
Cash generated from financing activities	11,396,954	6,789,567
Increase in cash	7,896,204	2,020,082
Cash at beginning of year	2,336,267	316,185
Cash at end of year	$ 10,232,471	$ 2,336,267

Note 1 Authority and Purpose

Grande Prairie Regional College (the "College") operates under the authority of the Post Secondary Learning Act, Chapter P-19.5, Revised Statutes of Alberta 2003. The College is a registered charity and is exempt from the payment of income taxes under the Income Tax Act (Canada).

The College's purpose is to provide students with university transfer, on-campus degree completion, career training, post-secondary preparatory and continuing education programs that contribute to the economic and social well-being of the region.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Consolidation and Use of Estimates

These consolidated financial statements include the accounts of the Grande Prairie Regional College and the Grande Prairie Regional College Alumni/Foundation (the "Foundation"), which operates under the Alberta Companies Act and is a registered charitable organization for income tax purposes. The Foundation's activities are directed to the support and advancement of the College. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

In preparing the College's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenues and expenses during the period. Management believes its estimates to be appropriate; however, actual results could differ from these estimates.

(b) Revenue Recognition

Unrestricted contributions are recognized as revenue when they are received or receivable.

Externally restricted non-capital contributions, including restricted investment income on endowment net assets are deferred and recognized as revenue in the period the related expenses are incurred. Unrealized gains and losses on available-for-sale securities attributed to endowment net assets are also recorded in deferred contributions. Externally restricted capital contributions are deferred until the related capital asset is acquired. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired and are recognized as revenue in the periods the related capital assets are amortized.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Contributions for capital assets that will not be amortized, such as land, are recorded as direct increases in net assets in the period the asset is acquired.

Externally restricted endowment contributions are recorded as direct increases in net assets.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Amounts received for tuition and related fees, sales, rentals and services and contract programs are recorded as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

Unrestricted investment income, which includes interest, dividends and realized gains and losses, is recognized as revenue when earned. Unrealized gains and losses on available-for-sale securities attributed to other net assets are recorded in the consolidated statement of changes in net assets, and are recognized in the statement of operations when realized.

(c) Change in Accounting Policy

Financial Instruments

On July 1, 2007, the College adopted the provisions of CICA Handbook Section 3855, "Financial Instruments, Recognition and Measurement" and Section 3861, "Financial Instruments, Disclosure and Presentation".

Financial instruments classified as available-for-sale are measured at fair value with changes in unrealized gains and losses recognized directly as changes in net assets until the asset is derecognized.

In accordance with the new standards, the College has classified cash and investments as available-for-sale, accounts receivable as loans and receivables, and accounts payable, accrued vacation pay, leave programs and long-term debt as other financial liabilities.

Inventories, prepaid expenses, capital assets, unearned revenue, deferred contributions, deferred capital contributions, and unamortized deferred capital contributions are not within the scope of the new standards and accordingly have not been classified.

The amortized cost of loans and receivables and other financial liabilities approximates their fair value.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(c) Change in Accounting Policy (continued)

Financial Instruments (continued)

Cash and investments are accounted for at fair value with unrealized gains and losses reported as an adjustment to unrestricted net assets.

The new standards have been applied retrospectively without restatement of prior periods. A transitional adjustment has been recorded in the College's financial statements so the relevant balances in the College's June 30, 2007 financial statements approximate their fair value at July 1, 2007, resulting in an increase in the investment balance of $191,537. Of this amount, $188,281 relates to investments attributed to endowment net assets and has been recorded as deferred contributions. The balance of $3,256 relates to other net assets. See also Notes 7 and 13.

As permitted, the College has elected to exclude from the scope of Section 3855, "Financial Instruments, Recognition and Measurement", non-financial contracts or derivatives embedded in non-financial contracts, leases and insurance contracts.

Future Change to Accounting Policy

The Canadian Institute of Chartered Accountants (CICA) has issued four new standards: CICA Handbook Sections 1535: "Capital Disclosures", 3031: "Inventories", 3862: "Financial Instruments – Disclosures", and 3863: "Financial Instruments – Presentation".

Section 1535 requires the disclosure of qualitative and quantitative information that will enable users of financial statements to evaluate an entity's objectives, policies and processes for managing capital. Sections 3862 and 3863 are intended to enhance the ability of users of financial statements to evaluate the significance of financial instruments to an entity, the related exposure to risks and the management of these risks. These future accounting policy changes will require only additional note disclosure and will not affect the statements of financial position, operations, and changes in net assets or cash flows.

Section 3031 prescribes the accounting treatment for inventories and provides guidance on the determination of cost and its subsequent recognition of expense, including any write-down to net realizable value. The new requirements may require the College to include certain additional costs in the measurement of its inventories. The effect of this change is uncertain at this time.

In accordance with the transitional provisions of these new standards, these standards are effective for the College beginning July 1, 2008.

(d) Inventories

Inventories for resale are valued at the lower of cost and estimated net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(e) Financial Instruments

The fair values of the College's accounts receivable, accounts payable and accrued liabilities are valued in accordance with the methods described in Note 2(c). Financial instruments of the College are exposed to credit risk, interest rate risk, foreign exchange risk and market risks. The College's accounts receivable are from a diverse group of customers and are subject to normal credit risk. The interest rate risk is the risk to the College's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates. The foreign exchange risk is the risk of the rising costs related to purchase transactions in United States Currency. The market risk is the risk to the College's earnings that arises from the fluctuation and the degree of volatility in the market value of long-term investments. Each of these risks is limited through the College's collection procedures, investment guidelines and other internal policies, guidelines and procedures.

(f) Long-term Investments

Investments are classified as available-for-sale (investments held for long-term capital appreciation and generation of income), and are measured at fair value at each reporting date. Fair value for publicly traded securities is based on the closing market prices. The College utilizes settlement-date accounting for all purchases and sales of financial assets in its investment portfolio. Investments are initially recognized at acquisition cost (purchase price plus transaction costs), which reflects any premium or discount at date of purchase, and carried at fair value. Marketable equity securities are also initially recognized at acquisition cost, and subsequently measured at fair value.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(g) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets which are recorded at fair value when a fair value can be reasonably determined.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	25 to 40 years
Site improvements	25 years
Furnishings and equipment	5 to 15 years
Vehicles	5 years
Library materials	10 years
Leasehold improvements	5 years

(h) Internally Restricted Net Assets

Internally restricted net assets are amounts set aside by the College Board of Governors to be used for designated purposes.

(i) Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The College performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value.

(j) Art Collection

The College holds a collection of approximately 2,600 works of donated art, consisting of sketches, limited edition prints, photographs, and some original paintings. The collection is held by the College for educational use and for public exhibition. The Board of Governors passed a resolution requiring the art to be cared for and preserved.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(j) Art Collection (continued)

Collection artworks are not recognized as assets in the Statement of Financial Position. Any proceeds from their sale or disposal may be used only to acquire other art for the collection or to care for the existing collection. Purchased art added to the collection will be expensed in the year of acquisition. To date, no artwork has been purchased for this collection.

(k) Pensions

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the pension plan. The College does not record the College's portion of the pension plan's deficit or surplus.

Note 3 Inventories

	2008	2007
Bookstore	$ 499,130	$ 454,548
Duplicating Services	15,186	17,200
Financial Services	3,380	5,071
Climbing Gym	1,303	1,841
	$ 518,999	$ 478,660

Note 4 Investments

Investments are recorded at market value, with unrealized gains or losses recorded in deferred contributions or net assets as noted in Note 2(c). Market value is based upon the quoted market price of the securities.

The College's investment policy is dedicated to optimizing the return on investment while ensuring that the College's assets are prudently invested while minimizing the potential for loss of capital.

Specific guidelines have been established with respect to asset mix, diversification, security, and performance measurement as well as quality, liquidity and term constraints.

In accordance with the College's investment guidelines, risk on long-tem investment is managed by:

- Strictly prohibiting the purchase of any securities carrying a credit rating below A for bonds or A1/R1 for commercial paper by one of the recognized rating agencies.
- Holding a diversified selection of equities where one issuer will comprise no more than 5% of the portfolio, subject to a maximum dollar value of $100,000.

For 2007, the cost base is the recorded value. For 2008, the market value is the recorded value.

	2008			2007		
	Cost Base	Unrealized Gain (Loss)	Market Value	Recorded Value	Unrealized Gain	Market Value
Bonds and bank notes	$ 17,962,030	$ (90,215)	$ 17,871,815	$ 13,236,621	$ 4,732	$ 13,241,353
Equities	1,370,096	11,636	1,381,732	664,799	186,805	851,604
	$ 19,332,126	$ (78,579)	$ 19,253,547	$ 13,901,420	$ 191,537	$ 14,092,957

The rate of return on equities is dependent on the market.

The effective interest rate for bonds and bank notes by range of maturity date are as follows:

	Market Value	Effective Yield to Maturity
Maturing in less than 1 year	$ 5,534,352	4.2%
Maturing in 1 - 5 years	8,031,252	4.6%
Maturing in 6 - 10 years	1,461,775	5.3%
Maturing in 11- 15 years	1,491,308	5.1%
Maturing in 16 - 20 years	1,353,127	4.6%
	$ 17,871,815	

Note 5 Capital Assets

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 713,631	$ -	$ 713,631	$ 713,631
Buildings	62,288,388	27,186,009	35,102,379	29,125,308
Buildings under construction	1,102,043	-	1,102,043	6,746,701
Site improvements	1,340,905	1,255,486	85,420	45,258
Furnishings, equipment and vehicles	11,046,203	8,625,808	2,420,395	1,690,113
Library materials	2,056,748	1,181,380	875,369	854,038
	$ 78,547,919	$ 38,248,682	$ 40,299,237	$ 39,175,049

$4,300,000 of borrowing from Alberta Capital Finance Authority was received March 17, 2008 for the construction of the Phase V Residence. At June 30, 2008 $740,741 of costs had been capitalized.

Buildings under construction are currently not amortized. Amortization will begin upon the earlier of substantial completion or availability for use.

Note 6 Leave Programs

The previous four-for-five leave plan has been discontinued, however it will stay in effect until all employees participating in the plan as of June 30, 2003 have taken their leave or withdrawn from the plan. In place of this plan there are now two self-initiated leave programs. Each allows the employee to contribute 20% of their salary to the plan. In the Employee Association program in the year of leave, the College will make a one-time contribution of 15% of the employee's annual salary. In the Academic Staff Association program in the year of leave, the College will pay for the employee's benefits. The employees' contributions and interest are held by the College and recorded as a liability until the leave period when they are paid to the employee as salary along with the College contributions.

	2008	2007
Employees' contributions held by College	$ 72,301	$ 194,544
College matching contributions	102,160	175,630
Interest held on employees' contributions	6,285	31,925
	$ 180,745	$ 402,099

Note 7 Deferred Contributions

Deferred contributions represent unspent operating funds externally restricted.

Deferred contributions	2008	2007
Deferred contributions, relating to operating funding		
Contributions during the year	$ 4,830,395	$ 2,391,678
Transferred from deferred capital contributions	519,121	159,371
Transferred to:		
Deferred capital contributions	(169,458)	-
Revenue	(2,786,074)	(1,533,104)
Endowments (Note 11)	(17,260)	(11,211)
Increase during the year, related to operating funding	2,376,724	1,006,734
Balance at beginning of year, related to operating funding	1,764,259	757,525
Balance at end of year, related to operating funding	4,140,983	1,764,259
Deferred contributions, relating to unrealized gains and losses on investments		
Transitional adjustment for unrealized gain on invesments, deferred beginning of year	188,281	-
Change in unrealized gain (loss) on investments relating to contributions	(202,572)	-
Unrealized gain (loss) on investments, end of year	(14,291)	-
Total deferred contributions, end of year	$ 4,126,692	$ 1,764,259
The balance consists of funds restricted for:		
Scholarships and bursaries	$ 1,371,651	$ 1,243,412
S.J. Alward library	106,771	95,162
Student life on campus	695,758	-
Capital planning project	1,128,392	-
APAS	100,000	-
Other	724,120	425,685
	$ 4,126,692	$ 1,764,259

Note 8 Deferred Capital Contributions

Deferred capital contributions represent unspent capital funds externally restricted.

	2008	2007
Contributions during the year	$ 6,953,171	$ 1,393,270
Transferred from deferred contributions - operating	169,458	-
Transferred to deferred contributions - operating	(519,121)	(159,371)
Transferred to unamortized deferred capital contributions	(2,044,026)	(1,446,728)
Increase (decrease) during the year	4,559,482	(212,829)
Balance at beginning of year	3,224,126	3,436,955
Balance at end of year	$ 7,783,608	$ 3,224,126

Note 9 Long-Term Debt

	Maturity Date	Interest Rate	Amount Outstanding 2008	Amount Outstanding 2007
Student residence - Loan #1	Nov 2026	6.000%	$ 304,000	$ 320,000
Student residence - Loan #2	July 2027	6.125%	400,000	420,000
Student residence - Loan #3	Sept 2030	4.392%	2,212,634	2,269,377
Student residence - Loan #4	Dec 2036	4.427%	5,655,222	5,752,793
Student residence - Loan #5	Mar 2038	4.700%	4,300,000	-
			12,871,856	8,762,170
Less current portion			(264,691)	(190,314)
			$ 12,607,165	$ 8,571,856

The student residences are pledged as security for the debentures with Alberta Capital Finance Authority.

The principal portion of long-term debt repayment is as follows:

2009	$ 264,691
2010	275,095
2011	285,972
2012	297,344
2013	309,234
Subsequent years	11,439,521
	$ 12,871,856

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contribution balance are as follows:

	2008	2007
Balance at beginning of year	$ 26,329,286	$ 26,829,488
Add amount transferred from deferred contributions (Note 8)	2,044,026	1,446,728
Less amount amortized to revenue	(1,403,677)	(1,946,930)
Balance at end of year	$ 26,969,635	$ 26,329,286

Note 11 Endowments

Endowments include donations received by the organization and interest earnings that have been redirected to principal as requested by the donor of the original endowment or by board policy. Externally restricted endowments are required to be maintained intact in accordance with the donor's wishes or by board policy. Internally restricted endowments are required to be maintained in accordance with departmental direction.

	Balance at Beginning of Year	Transfers from Deferred Contributions	Contributions	Reinvested Earnings	Balance at End of Year
Externally Restricted					
Scholarships fund	$1,355,299	$ 17,260	$ 13,333	$ -	$1,385,892
S.J. Alward library fund	618,550	-	-	-	618,550
	1,973,849	17,260	13,333	-	2,004,442
Internally Restricted					
Scholarships fund	484,568	-	-	-	484,568
Athletic fund	300,902	-	-	-	300,902
Theatre fund	78,682	-	-	-	78,682
Foundation fund	73,307	-	-	-	73,307
Alumni Legacy fund	-	-	-	200,000	200,000
	937,459	-	-	200,000	1,137,459
	$2,911,308	$ 17,260	$ 13,333	$ 200,000	$3,141,901

Note 12 Internally Restricted Net Assets

The Management of the College with the approval of the Board of Governors has placed restrictions on the spending of a portion of the accumulated excess of revenue over expenditure for specific purposes as shown below. The Management of the College intends to spend these internally restricted amounts for these purposes. They are not available for any other purposes without the approval of the Board.

	2008	2007
Capital		
Student residence - reserve	$ 200,000	$ 258,212
Physical activity centre	24,484	37,086
	224,484	295,298
Non-capital		
Risk reserve	3,000,000	-
College operating expenses	1,043,692	1,329,242
Foundation - internally restricted	923,906	574,990
	4,967,598	1,904,232
	$ 5,192,082	$ 2,199,530

Note 13 Net Unrealized Gain (Loss) on Available-for-Sale Investments

	2008	2007
Net unrealized losses on available-for-sale investments arising during the year	(156,611)	-
Net investment gains realized on available-for-sale investments during the year in the statement of operations	(113,504)	-
Decline in value of equity investments that is other than temporary and reported in the statement of operations	-	-
Decrease in unrealized gain on available-for-sale investments	(270,115)	-
Balance, July 1, 2007 (Notes 2(c) and 4)	191,537	-
Balance, end of year	$ (78,578)	$ -

Presented as:	2008			2007
	Endowment net assets, recorded in deferred contributions (Note 8)	Other net assets	Total	Total
Balance, July 1, 2007 (Notes 2 (c) and 4)	$ 188,281	$ 3,256	$ 191,537	$ -
Decrease during year	(202,572)	(67,543)	(270,115)	-
Balance, end of year	$ (14,291)	$ (64,287)	$ (78,578)	$ -

Note 14 Budget

On March 22, 2007 the Board of Governors approved a consolidated revenue and expense budget for Grande Prairie Regional College for 2007-2008. The budget approved provided an annual operating excess of revenue over expense of $373,812 and an annual Foundation operating revenue equal to expense.

The two budgets have been consolidated and presented in the Consolidated Statement of Operations.

Note 15 Salaries and Benefits

	2008				2007
	Base Salaries(1)	Other Cash Benefits(2)	Other Non-Cash Benefits(3,4)	Total	Total
Chairman of the Board(5)	$ 4,523	$ -	$ 118	$ 4,640	$ 5,905
Board Members(5)	553	-	90	644	44,834
President	151,000	-	18,493	169,493	160,227
Vice Presidents					
Academic(6)	67,836	-	10,709	78,544	57,654
Administration(7)	55,414	10,998	9,243	75,654	149,469
Special Projects	76,169	-	10,244	86,413	-
Executive Director					
Foundation/Alumni	104,198	-	26,784	130,983	132,127
Directors/Deans					
Workforce	92,440	-	18,799	111,239	119,307
Human Resources	105,095	-	29,198	134,293	106,243
Campus Operations	113,671	-	19,701	133,372	128,539
Registrar(8)	124,270	-	21,659	145,930	128,430
Finance(9)	47,353	-	5,860	53,213	-
Health & Wellness	109,300	4,547	19,079	132,925	119,410
Arts & Science	113,671	-	19,307	132,978	123,780
Business(10)	-	-	-	-	123,780

(1) Salaries include pensionable base pay.

(2) Other Cash benefits include Board of Governors honorarium and vacation payouts.

(3) Benefits and allowances represent the College's share of employee benefits including Canada Pension Plan, Employment Insurance, pensions, health care, dental coverage, group life insurance, accidental death and dismemberment insurance.

(4) An automobile allowance is provided to the President, Vice-President – Academic, Vice-President – Administration and the Vice President – Special Projects of the College and to the Executive Director – Advancement of the Foundation.

(5) The Chairman of the Board and one Board member donated a portion of their remuneration to the Grande Prairie Regional College Foundation in the amount of $3,937 (2007 –$3,108).

(6) This position was occupied from November 2007 to May 2008 by two acting vice presidents.

(7) This position was vacant for part of the year.

(8) This position was occupied by two people for months of July to October 2007 (retiree and replacement).

(9) This position was filled in January 2008 and reclassified as Director from Manager.

(10) This position was vacant during the year.

Note 16 Supplies and Services

Supplies and services are summarized by the following major groupings:

	2008	2007
Purchased labour and services	$ 2,949,286	$ 2,558,519
Repairs, maintenance and renovations	1,443,954	1,345,258
Classroom, lab and office supplies	1,254,255	1,276,299
Travel, staff development	1,175,846	1,038,243
Administrative expenses	942,192	891,276
Advertising	543,134	472,420
Meetings, hospitality	520,760	357,801
Debt interest	493,323	291,606
Fundraising and donations	261,870	246,177
	$ 9,584,620	$ 8,477,600

Note 17 Pension Costs

The College participates in a multi-employer pension plan, Local Authorities Pension Plan (LAPP). The expense for this plan is $1,285,159 for the year ended June 30, 2008 (2007 - $1,219,787).

At December 31, 2007 the LAPP reported a deficit of $1,183,334,000, (2006 – a deficit of $746,651,000).

Note 18 Related Party

The College is a Provincial Corporation as all members of the Board of Governors are appointed by combination of an Order by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology. The College received the following grants directly from the Province of Alberta or indirectly through related entities:

	2008				
	Deferred Contributions	Deferred Capital Contributions	Grant Revenue	Unamortized Deferred Capital Contributions	Total
Alberta Advanced Education and Technology					
Operating funding	$ -	$ -	$ 20,881,620	$ -	$ 20,881,620
Enrolment Planning Envelope funding	45,000	-	546,624	-	591,624
Conditional funding	27,604	-	18,207	-	45,811
Access to the Future funding	953,701	346,825	6,500	38,465	1,345,490
Capital Planning Project funding	1,128,392	-	371,608	-	1,500,000
Gymnasium Upgrade Project funding	-	2,628,585	-	371,415	3,000,000
L-Wing Expansion Program funding	-	3,489,412	-	10,588	3,500,000
Alberta Post Secondary Application System	100,000	-	-	-	100,000
Alberta-North	16,466	-	-	-	16,466
Alberta Sport, Recreation, Parks & Wildlife	26,344	-	241,901	5,000	273,245
Alberta Employment, Immigration and Industry	-	-	110,455	-	110,455
Alberta Tourism	-	-	3,000	-	3,000
	$ 2,297,507	$ 6,464,822	$ 22,179,915	$ 425,467	$ 31,367,711

	2007				
	Deferred Contributions	Deferred Capital Contributions	Grant Revenue	Unamortized Deferred Capital Contributions	Total
Alberta Advanced Education and Technology					
Operating funding	$ -	$ -	$ 19,483,431	$ -	$ 19,483,431
Enrolment Planning Envelope funding	38,460	-	335,012	-	373,471
Conditional funding	-	-	54,668	19,670	74,338
Access to the Future funding	560,000	227,990	-	136,895	924,885
Capital Planning Project funding	-	-	-	-	-
Gymnasium Upgrade Project funding	-	-	-	-	-
L-Wing Expansion Program funding	-	-	-	-	-
Infrastructure Maintenance funding	-	446,674	159,371	333,955	940,000
Innovation and Science Funding	272,323	-	57,677	-	330,000
Alberta Post Secondary Application System	-	-	-	-	-
Alberta-North	-	20,000	-	16,667	36,667
Alberta Sport, Recreation, Parks & Wildlife	22,908	-	160,386	-	183,294
Alberta Employment, Immigration and Industry	-	-	127,965	-	127,965
Alberta Tourism	-	-	4,500	-	4,500
	$ 893,690	$ 694,664	$ 20,383,009	$ 507,186	$ 22,478,550

Note 19 Changes in Non-Cash Working Capital

	2008	2007
Accounts receivable	$ (246,236)	$ 298,938
Inventories	(40,339)	62,854
Prepaid expenses	(11,069)	(77,952)
Accounts payable	(106,378)	(172,418)
Accrued vacation pay	193,114	(235,328)
Unearned revenue	(212,392)	(43,716)
Leave Programs	(221,354)	(3,450)
Deferred contributions	2,376,724	1,006,734
	$ 1,732,070	$ 835,662

Note 20 Commitments

Professional Leave

Effective August 15, 1998, the College has agreed under Article 12 of the collective agreement with the Academic Staff Association to provide a total of 48 months of paid professional leave to members of the Academic Staff Association each contract period (August 15 to August 14). Members of the Administrative Group may request approval for paid professional leave.

At June 30, 2008, the following commitments have been made under the above agreement, for which no provision has been made in the financial statements.

	2008	2007
Academic Staff		
July 1, 2008 to August 14, 2008	$ 25,552	$ 23,941
August 15, 2008 to August 14, 2009	448,179	204,417
	$ 473,731	$ 228,358

Note 21 Contractual Obligations

As at June 30, 2008, the College has outstanding contractual commitments for capital projects as follows:

Capital Planning Project	$ 457,272
Gym Upgrade	80,006
	$ 537,278

Note 22 Funds Held on Behalf of Others

The College holds the following funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements.

	2008	2007
Productions	$ 43,135	$ 60,818
EA Staff Development	71,809	59,338
ASA Professional Growth	175,140	171,983
Other	7,138	(8,538)
	$ 297,222	$ 283,601

Note 23 Subsequent Events

(a) On July 9, 2008 $4.6 million of borrowing from the Alberta Capital Finance Authority was approved for the construction of the Phase VI Residence. On July 22, 2008 the College entered into a contractual obligation for $8,029,998 for construction of Phase V and VI Residence.

(b) Effective July 1, 2009 Grande Prairie Regional College will assume stewardship responsibility for strategic and long-term planning over the southern part of northwest Alberta, which includes Fairview. The formal transfer of NAIT Fairview Campus programs, staff and assets will be made to Grande Prairie Regional College accordingly. The impact on the Financial Statements is not known at this time.

Note 24 Contingency

The College, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of the administration that adequate provision for these proceedings has been made in the College's accounts. It is believed that the resolution of the proceedings will not have a material effect on the financial position of the College, however, should any additional loss result from the resolution of these proceedings, such amounts would be expensed as the related amounts become known to the College.

Note 25 Approval of Financial Statements

These consolidated financial statements were approved by the Board of Governors.

GRANT MacEWAN COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008

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AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Grant MacEwan College

I have audited the consolidated statement of financial position of Grant MacEwan College as at June 30, 2008 and the consolidated statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Grant MacEwan College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn FCA
Auditor General

Edmonton, Alberta
September 5, 2008

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at June 30, 2008
(thousands of dollars)

	2008	2007
ASSETS		
Current:		
Cash and cash equivalents	$ 89,844	$ 92,388
Accounts receivable	3,894	5,083
Inventories (Note 3)	1,538	1,896
Prepaid expenses	669	1,060
	95,945	100,427
Investments (Note 4)	34,857	31,477
Capital assets (Note 5)	249,152	236,421
	$ 379,954	$ 368,325
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 13,497	$ 17,534
Accrued vacation pay	6,097	5,725
Unearned revenue	5,711	5,324
Deferred contributions (Note 6)	19,137	27,663
Current portion of long term debt (Note 8)	1,633	1,307
	46,075	57,553
Deferred capital contributions (Note 6)	1,523	12,233
Unamortized deferred capital contributions (Note 7)	145,202	134,213
Long term debt (Note 8)	51,106	50,118
	243,906	254,117
Net Assets:		
Endowments (Note 9)	21,886	16,837
Investment in capital assets	51,210	50,784
Internally restricted net assets (Note 11)	61,753	35,116
Unrestricted net assets	1,199	11,471
	136,048	114,208
	$ 379,954	$ 368,325

The accompanying notes are part of these consolidated financial statements.

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED June 30, 2008
(thousands of dollars)

	2008	2007
Revenue		
Grants	$ 89,653	$ 75,628
Tuition and related fees	53,147	51,398
Sales, rentals and services	26,437	23,469
Amortization of deferred capital contributions (Note 7)	5,952	3,840
Contract programs	4,586	4,102
Donations	1,460	1,834
Investment income (Note 10)	3,419	5,166
	184,654	165,437
Expense		
Salaries and benefits	102,543	94,207
Supplies and services	35,671	30,598
Amortization of capital assets	12,327	10,182
Cost of goods sold	8,694	8,462
Utilities	4,176	3,732
Scholarships and bursaries	1,899	1,226
Interest on long term debt	2,953	2,946
	168,263	151,353
Excess of revenue over expense	$ 16,391	$ 14,084

The accompanying notes are part of these consolidated financial statements.

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED June 30, 2008
(thousands of dollars)

	2008					2007
	Endowments (Note 9)	Investment in Capital Assets	Internally Restricted (Note 11)	Unrestricted	Total	Total
Excess of revenue over expense	$ -	$ -	$ -	$ 16,391	$ 16,391	$ 14,084
Endowment contributions	4,941				4,941	2,716
Transfers for:						
(Encroachment)/Repayment	(989)			989	-	366
Acquisition of internally funded capital assets		6,258		(6,258)	-	-
Repayment of debt related to capital assets		1,366		(1,366)	-	-
Amortization of internally funded capital assets		(6,516)		6,516	-	-
Disposal of internally funded assets		(682)		682	-	-
Net appropriations to restricted funds	766		26,637	(27,403)	-	-
Increase (decrease) in net assets	4,718	426	26,637	(10,449)	21,332	17,166
Net assets at beginning of year	16,837	50,784	35,116	11,471	114,208	97,043
Adjustment due to change in accounting policy (Note 2)	331			177	508	-
Net assets at end of year	$ 21,886	$ 51,210	$ 61,753	$ 1,199	$ 136,048	$ 114,209

The accompanying notes are part of these consolidated financial statements.

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED June 30, 2008

(thousands of dollars)

	2008	2007
Cash provided from (used in) operating activities:		
Excess of revenue over expense	$ 16,391	$ 14,084
Add (deduct) non-cash transactions:		
Amortization of capital assets	12,327	10,182
Loss on disposal of capital assets	380	1,049
Amortization of deferred capital contributions	(5,952)	(3,840)
Unrealized loss on investments	2,778	-
	25,924	21,475
Net change in non-cash working capital (*)	(6,595)	22,161
	19,329	43,636
Cash provided from (used in) investing activities:		
Acquisition of capital assets:		
Internally funded	(6,258)	(4,389)
Externally funded	(16,941)	(37,747)
Debt funded	(2,681)	(474)
Proceeds on disposal of capital assets	442	14
Acquisition of long term investments (net)	(5,651)	(1,819)
	(31,089)	(44,415)
Cash provided from (used in) Financing activities:		
Endowment contributions	4,941	2,716
Capital asset contributions (Note 6)	6,231	38,522
Construction payables	(3,270)	4,620
Long-term debt	1,314	(802)
	9,216	45,056
Increase (Decrease) in cash and cash equivalents	(2,544)	44,277
Cash and cash equivalents, beginning of year	92,388	48,111
Cash and cash equivalents, end of year	$ 89,844	$ 92,388

(*) Net Change in non-cash working capital:		
Accounts receivable	$ 1,189	$ (1,786)
Inventories	358	79
Prepaid expenses	391	(369)
Accounts payable and accrued liabilities	(766)	4,298
Accrued vacation pay	372	958
Unearned revenue	387	941
Deferred contributions	(8,526)	18,040
	$ (6,595)	$ 22,161

The accompanying notes are part of these consolidated financial statements.

Note 1 Authority and Purpose

Grant MacEwan College (the "College") operates under the authority of the *Post Secondary Learning Act.* The College offers undergraduate degree programs, applied degrees, diplomas, certificates and degree transfer programs in business, health and community studies, arts and science; and performing visual and communication arts. The College also offers continuing education programs, corporate training, on-line credentials, and rural consortium programs. Internationally, the College provides diploma programs in the Ukraine and Russia as well as course delivery in several countries.

The College is a registered charity, and under Section 149 of the *Income Tax Act* is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

(a) General

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these statements requires the use of estimates, which may vary significantly from actual results. The following accounting policies and reporting practices are considered significant.

(b) Consolidated Financial Statements

These consolidated financial statements include the accounts of the Grant MacEwan College Foundation, which operates under part 9 of the *Companies Act* of Alberta for the support and advancement of the College. The Foundation is a registered charity and is exempt from payment of income taxes.

(c) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets, which are recorded at fair market value, when a fair value can be reasonably determined. Land and art collections are not amortized.

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and site improvements	10 to 40 years
Furniture, equipment and vehicles	10 years
Library materials	10 years
Computers and telecommunications equipment	5 years
Equipment under capital lease	period of the lease

(d) Revenue Recognition

The financial statements record the following items as revenue - at the following times:

- Tuition fees - when the instruction is delivered.
- Revenues received for services and products - when the services or products are provided.
- Unrestricted contributions - when received.
- Unrestricted investment income - when earned.
- Endowment contributions - when received, as direct increases in net assets.
- Restricted non-capital contributions - recorded as deferred contributions when received and recognized as revenue when the conditions of the restriction are met.
- Restricted non-capital investment income - recorded as deferred contributions when earned and recognized as revenue when the conditions of the restriction are met.
- Restricted capital contributions (including investment income on the contributions) - recorded as deferred capital contributions when received, transferred to unamortized deferred capital contributions when expended, and amortized to revenue over the useful life of the related assets.

Investment income includes interest income and realized and unrealized investments gains and losses.

(e) Pension Obligation and Expense

The College and its eligible employees participate in the Local Authorities Pension Plan, which is a multi-employer defined benefit plan. The College records an expense for pension benefits equivalent to the annual contributions payable during the year. Accounting treatment for multi-employer pension plans is the same as for defined contribution plans and, therefore, no plan deficits or surplus' are recorded in the College accounts.

(f) Financial Instruments

The value of the College's financial instruments are recognized on their settlement date. Transaction costs related to all financial instruments are expensed as incurred.

As permitted, the College has elected to exclude from the scope of Section 3855: *Financial Instruments, Recognition and Measurement*, non-financial contracts or derivatives embedded in non-financial contracts, leases and insurance contracts.

(g) Cash and Cash Equivalents

Cash and cash equivalents is comprised of cash on deposit, including deposits in the Consolidated Cash Investment Trust Fund which is managed with the objective of providing competitive interest income to the depositors while maintaining maximum security and liquidity of depositors' capital.

The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at June 30, 2008, securities held by the Fund have an average effective market yield of 3.39% per annum.

(h) Change in Accounting Policy

On July 1, 2007, the College adopted the provisions of CICA Handbook Section 3855: *Financial Instruments - Recognition and Measurement* and Section 3861: *Financial Instrument - Disclosure and Presentation.* The College does not use hedge accounting, therefore, it is not impacted by the requirement of CICA Handbook Section 3865: *Hedges.*

In accordance with the new standards, the College's financial assets and liabilities are generally classified and measured as follows:

Financial statement category	Classification	Measurement
Cash and cash equivalents	Held-for-trading	Fair value
Accounts Receivable	Loans and receivables	Amortized cost
Investments	Held-for-trading	Fair value
Accounts Payable and Accrued Liabilities	Other financial liabilities	Amortized cost
Accrued Vacation Pay	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

Financial instruments classified as held-for-trading are measured at fair value with changes in fair value recognized in the Statement of Revenue and Expense. Financial instruments classified as loans and receivables and classified as other financial liabilities are measured at amortized cost with gains and losses recognized in the Statement of Revenue and Expense when the asset or liability is derecognized.

The new standards have been applied retrospectively without restatement of prior periods. A transitional adjustment of $508 has been recorded in the consolidated statement of net assets relating to the unrealized appreciation on investments at July 1, 2007 of $776 net of amounts that have been reflected as deferred contributions of $268.

(i) Future Accounting Policy Changes

In October 2006, the CICA issued new accounting standards, CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of risks. These standards will effectively replace the existing CICA 3861: *Financial Instruments - Disclosure and Presentation.*

Also in October 2006, the CICA has issued new accounting standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information related to external restrictions that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These new standards will be adopted by the College effective July 1, 2008. The College anticipates the impact of adoption will only require additional disclosures in the financial statements.

Note 3 Inventories

Inventories for resale are valued at the lower of cost or net realizable value, with cost determined on a moving average basis. Inventories held for consumption are valued at cost.

	2008	2007
Bookstores	$ 1,358	$ 1,795
Other inventories	180	101
	$ 1,538	$ 1,896

Note 4 Investments

	2008		2007
	Market Value	Cost	Cost
Pooled Funds			
Common stocks and equivalents	$ 16,220	$ 17,728	$ 13,360
Fixed income securities	15,633	16,128	15,964
Cash and equivalents	1,852	1,852	1,071
Cash surrender value of planned gifts (life insurance policies)	696	696	666
Other	456	456	416
	$ 34,857	$ 36,860	$ 31,477

As at June 30, 2008, the average annualized effective yields and the terms to maturity are as follows:

- Cash and equivalents: 4.52% (2007 - 4.28%); term to maturity average 108 days.
- Fixed income securities:6.28% (2007 - 5.19%) terms to maturity average 5.86 years.

Investments in pooled funds are valued at their net asset value per unit.

The College's Investment Policy specifies that the Investments are to be managed by an expert external fund manager using a specified range of asset mix in pooled funds for endowed and non endowed investments to achieve an acceptable return and risk appropriate for a publicly funded post-secondary educational institution.

The operating fund specifies a strategic asset mix of 20% for Canadian Equities, 20% for Global Equities and 60% for Bonds and Fixed income and with tactical maximum and minimum tolerances.

The endowment fund specifies a strategic asset mix of 30% for Canadian Equities, 30% for Global Equities, 35% for Bonds and Fixed income and 5% for cash and short term with tactical maximum and minimum tolerances.

On a quarterly basis, the College's investment portfolio performance is presented to the Board of Governors, Audit and Finance Committee.

Note 5 **Capital Assets**

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 22,961	$ -	$ 22,961	$ 22,961
Buildings and site improvements	257,800	(63,413)	194,387	142,274
Furniture, equipment and vehicles	24,786	(10,719)	14,067	9,938
Library materials	11,614	(6,257)	5,357	4,135
Computers and telecommunications equipment	22,689	(13,634)	9,055	7,077
Equipment under capital lease	2,047	(661)	1,386	764
Art collection	285	-	285	285
Work in process	1,654	-	1,654	48,987
	$ 343,836	$ (94,684)	$ 249,152	$ 236,421

Note 6 **Deferred Contributions**

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2008			2007
	Capital	Program Delivery and Other	Total	Total
Balance, beginning of the year	$ 12,233	$ 27,663	$ 39,896	$ 21,081
Adjustment due to change in accounting policy	-	268	268	-
Adjusted Balance, beginning of the year	12,233	27,931	40,164	21,081
Grants and donations received	2,524	15,219	17,743	70,317
Recognized as revenue	-	(19,765)	(19,765)	(13,720)
Transferred:				
• from (to) investment income (Note 10)	-	(268)	(268)	-
• from (to) endowments	-	(273)	(273)	(35)
• from (to) Capital and Program Delivery	3,707	(3,707)	-	-
• to Unamortized deferred capital contributions (Note 7)	(16,941)	-	(16,941)	(37,747)
Balance, end of the year	$ 1,523	$ 19,137	$ 20,660	$ 39,896

Note 7 **Unamortized Deferred Capital Contributions (UDCC)**

UDCC represents the unamortized grants and donations received to fund capital acquisitions. The amortization of UDCC is recorded as revenue in the statement of operations. The changes in the UDCC balance is as follows:

	2008	2007
Balance at beginning of year	$ 134,213	$ 100,306
Transferred from deferred capital contributions (Note 6)	16,941	37,747
Less amount amortized to revenue	(5,952)	(3,840)
Balance at end of year	$ 145,202	$ 134,213

Note 8 **Long-term Debt**

	Collateral	Maturity Date	Interest Rate %	Amount Outstanding 2008	Amount Outstanding 2007
Parkade debenture	Parkade revenue	April 2025	6.25	$ 5,276	$ 5,448
Student residence debenture	Student residence revenue	June 2030	5.85	38,600	39,447
West parkade debenture	Parkade revenue	Sept. 2030	4.39	5,649	5,794
Robbins Health Learning Centre Parkade debenture	Parkade revenue	Sept. 2032	4.89	1,781	-
				51,306	50,689
Obligations under capital leases				1,433	736
				52,739	51,425
Less current portion				1,633	1,307
				$ 51,106	$ 50,118

The principal portion of long-term debt repayments required over the next five years are as follows:

2009	$ 1,633
2010	1,726
2011	1,734
2012	1,662
2013	1,673
Subsequent years	44,311
	$ 52,739

Note 9 **Endowments**

	2008	2007
Endowments consist of funds held to provide scholarships and support College programs:		
Externally funded	$ 19,823	$ 14,882
Internally funded	3,052	2,286
	22,875	17,168
Transfers for Encroachment	(989)	(331)
	$ 21,886	$ 16,837

Note 10 **Investment Income**

	2008	2007
Gain/(Loss) on restricted investments	$ (589)	$ 943
Gain on unrestricted investments	3,761	4,604
Total investment income for the year	3,172	5,547
(Gain) loss to restricted endowments	-	(367)
Transfer from/(to):		
• deferred contributions	268	-
• endowments	(21)	(14)
Total investment income recognized as revenue	$ 3,419	$ 5,166

Note 11 **Internally Restricted Net Assets**

The Board has committed unrestricted net assets as follows:

	2008	2007
Operations		
Program and Services Enhancement	$ 1,872	$ 1,181
Residence start up	1,000	1,000
Contingency	1,000	1,000
Scholarships and bursaries	507	808
	4,379	3,989
Capital		
Capital Renewal	8,926	7,600
ERP Renewal/Tech. Enhancement	15,506	6,432
Space Enhancement	31,942	17,095
MacEwan Centre for Sports & Wellness reconfiguration	1,000	-
	57,374	31,127
Total	$ 61,753	$ 35,116

Note 12 **Salary & Benefits Disclosure**

(a) The College contributed $5,259 (2007: $4,728) to the Local Authorities' Pension Plan on behalf of employees. This amount has been recognized as a benefit expense in the College accounts in the year the contributions were made.

(b)

	2008				2007
	Base Salary (1)	Other Cash Benefits (2)	Other Non-cash Benefits (3)	Total	Total
Chairman of the Board	$ -	$ 6	$ -	$ 6	$ 6
Board Members	-	37	-	37	30
President (4)	247	1	71	319	285
Provost and Executive Vice President, Academic (5)	205	1	49	255	248
Vice President, Corporate Services and CFO (5)	189	22	42	253	210
Vice President, Student Services (5)	159	1	29	189	173
Executive Director, Human Resources (6)	141	1	23	165	164
Executive Director, Strategic Planning (6)	133	1	23	157	143

(1) Base salary includes pensionable base pay.
(2) Other cash benefits includes overtime, lump sum payments, honoraria and vacation payouts.
(3) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out-of-country medical benefits, group life insurance, long and short-term disability plan, professional memberships and tuition. Other non-cash benefits figure also includes the employer's share of the cost of additional benefits including sabbaticals or other special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.
(4) The College provides an automobile, the value of which is not included in other non-cash benefit figures. Other non-cash benefits figure includes the employer share of the cost of the Supplemental Executive Retirement Plan.
(5) Vice President receives a car allowance, the value of which is included in non-cash benefit. Other non-cash benefits figure includes the employer share of the cost of the Supplemental Executive Retirement Plan.
(6) Other non-cash benefits figure includes the employer share of the cost of the Supplemental Executive Retirement Plan

(c) Under the terms of the Supplemental Executive Retirement Plan (SERP), executive officers may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period. The SERP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the current year, including amortization of past service costs on plan initiation, amortization or actuarial gains and losses, and interest accruing on the actuarial liability.

The accrued obligation for each executive under the SERP is outlined in the following table:

	Accrued Obligation June 30, 2007	Changes in accrued obligation	Accrued obligation June 30, 2008
Executive			
President	$ 68	$ 42	$ 110
Provost and Executive Vice President, Academic	17	17	34
Vice Presidents:			
Corporate Services and CFO	10	12	22
Student Services	6	6	12
Executive Directors			
Human Resources	-	2	2
Strategic Planning	-	1	1

Note 13 **Related Party Transactions**

The College is a Provincial Corporation as all of the members of the Board of Governors are appointed either by the *Post Secondary Learning Act* or by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology.

The College received the following grants directly from the Province of Alberta or indirectly through related entities:

	2008			
	Deferred contributions	Deferred capital contributions	Grant Revenue	Total
Alberta Advanced Education and Technology				
Regular Operating	$ -	$ -	$ 70,268	$ 70,268
Performance Envelope funding	-	-	581	581
Enrolment Planning Envelope funding	12,921	-	-	12,921
Conditional	440	1,324	-	1,764
Access to the Future Fund	463	-	-	463
Robbins Health Learning Centre	-	199	-	199
Other provincial departments and agencies	22	-	-	22
	13,846	1,523	70,849	86,218
Deferred contributions recognized as grant revenue	(18,622)	(55)	18,677	-
	(4,776)	1,468	89,526	86,218

	2007			
	Deferred contributions	Deferred capital contributions	Grant Revenue	Total
Alberta Advanced Education and Technology				
Regular Operating	$ -	$ -	$ 62,411	$ 62,411
Performance Envelope funding	-	-	407	407
Enrolment Planning Envelope funding	12,823	-	-	12,823
Conditional	15,625	-	-	15,626
Access to the Future Fund	1,443	-	-	1,443
Infrastructure Maintenance Program	2,378	-	-	2,378
Robbins Health Learning Centre	-	36,000	-	36,000
Other provincial departments and agencies	6	-	-	6
	32,276	36,000	62,818	131,094
Deferred contributions recognized as grant revenue	(12,718)	-	12,718	-
	19,558	36,000	75,536	131,094

The College has accounts receivable from the Province of Alberta of $1,306 (2007 - $900) and accounts payable to the Province of Alberta of $68 (2007 - $849).

The Province of Alberta has provided $2,775 (2007 - $1,557) in matching grants for externally restricted endowment contributions during the year, which is included in endowment net assets.

The College has long-term obligations with Alberta Capital Finance Authority as described in Note 8 Long Term Debt.

The College provided courses to provincial government departments and participated in offering certain courses with other post-secondary institutions. The revenues and expenses incurred for these courses have been included in the consolidated statement of revenue and expense but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at these fair value amounts.

Note 14 **Budget**

The Board of Governors approved the following budget relating to the College's operating revenue and expenses for the fiscal period ending June 30, 2008:

Revenue		
Grants	$	88,490
Tuition and related fees		54,404
Sales, rentals and services		24,893
Amortization of deferred capital contributions		5,192
Contract Programs		4,363
Donations		1,838
Investment income		3,003
Total Revenue	$	182,183
Expense		
Salaries and benefits	$	108,342
Supplies and services		43,654
Amortization of capital assets		12,214
Cost of goods sold		8,706
Utilities		5,151
Scholarships and bursaries		1,215
Interest on long term debt		2,901
Total Expense		182,183
Excess of Revenue over Expense	$	-

Note 15 **Contractual Obligations**

The College is committed to several operating lease and service contracts. The minimum operating lease and service contract payments required for the next five years are as follows:

2009	$ 1,097
2010	855
2011	382
2012	174
2013	94
Total	$ 2,602

Note 16 **Contingent Liabilities**

The College is a defendant in a number of legal proceedings. Claims against the College in these proceedings have not been reflected in these financial statements. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the College believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the College.

Note 17 **Funds Held on Behalf of Others**

The College holds the following funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements.

	2008	2007
Yellowhead Region Educational Consortium	$ 998	$ 903
Yellowhead Region Educational Society	99	97
Pembina Educational Consortium	320	342
Grant MacEwan College Faculty Association	1,305	1,258
Other	12	19
Total	2,734	2,619

Note 18 **Approval of Financial Statements**

These financial statements were approved by the Board of Governors on October 9, 2008.

KEYANO COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2008

Auditor's Report

Statement of Financial Position

Statement of Revenue and Expense

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Keyano College

I have audited the statement of financial position of Keyano College (the College) as at June 30, 2008 and the statements of revenue and expense and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 26, 2008

KEYANO COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2008

ASSETS	2008	2007
Current:		
Cash (Note 4)	$ 13,465,791	$ 9,865,477
Short-term investments (Note 5)	3,046,848	6,382,660
Accounts receivable	3,176,745	3,605,287
Inventories (Note 6)	351,177	257,405
Prepaid expenses	473,633	228,457
	20,514,194	20,339,286
Long-term investments (Note 5)	9,981,083	8,966,873
Long-term accounts receivable	-	80,620
Tangible capital assets (Note 7)	94,853,837	90,206,191
	$ 125,349,114	$ 119,592,970

LIABILITIES AND NET ASSETS	2008	2007
Current:		
Accounts payable and accrued liabilities	$ 3,398,123	$ 5,130,315
Accrued vacation pay	2,408,347	1,958,998
Unearned revenue (Note 8)	1,430,484	1,491,898
Long-term debt due within one year (Note 11)	456,182	327,081
Deferred contributions (Note 9)	8,305,223	3,241,800
	15,998,359	12,150,092
Long-term:		
Long-term debt (Note 11)	5,930,212	5,874,281
Deferred contribution for capital purposes (Note 10)	5,239,618	7,969,717
Unamortized deferred capital contributions (Note 12)	64,570,603	60,095,174
	75,740,433	73,939,172
Net assets:		
Endowments (Note 13)	2,177,840	1,971,593
Investment in tangible capital assets (Note 14)	23,896,840	23,909,655
Unrestricted		
Accumulated excess of revenue over expenses	7,662,355	7,622,458
Accumulated net unrealized loss on investments (Note 21)	(126,713)	-
	7,535,642	7,622,458
	33,610,322	33,503,706
	$ 125,349,114	$ 119,592,970

The accompanying notes are part of these financial statements.

KEYANO COLLEGE
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2008

	2008 Budget (Note 15)	2008 Actual	2007 Actual
Revenue:			
Grants	$ 34,527,572	$ 36,674,230	$ 29,871,665
Sales, rentals and services	8,558,869	8,502,584	5,678,689
Tuition	9,531,440	9,272,919	7,442,233
Education contracts	3,158,157	1,646,963	1,023,633
Investment income (Note 5)	388,500	986,708	839,594
Donations	1,045,177	1,212,210	980,746
Amortization of deferred capital contributions (Note 12)	2,850,177	3,103,929	1,994,321
	60,059,892	61,399,543	47,830,881
Expense:			
Salaries and benefits	40,888,949	40,425,639	31,284,242
Supplies and services	10,884,055	11,941,568	8,810,748
Scholarships and awards	554,431	419,675	461,528
Utilities	1,930,990	1,700,131	1,557,369
Cost of goods sold	628,427	1,053,879	752,035
Amortization	4,336,225	4,706,200	3,601,374
Interest on long-term debt	364,162	474,842	375,890
Loss on disposal of tangible capital assets	-	140,274	103,629
Transfer to Keyano Foundation (Note 22)	472,653	510,253	469,265
	60,059,892	61,372,461	47,416,080
Excess of revenue over expense	$ -	$ 27,082	$ 414,801

The accompanying notes are part of these financial statements.

KEYANO COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	2008				2007
	Endowments (Note 13)	Investment in Tangible Capital Assets (Note 14)	Unrestricted Net Assets	Total	Total
Beginning of year	$ 1,971,593	$ 23,909,655	$ 7,622,458	$ 33,503,706	$ 32,543,502
Change in accounting policy (Note 3)			673,212	673,212	
Adjusted net assets, beginning of year	1,971,593	23,909,655	8,295,670	34,176,918	$ 32,543,502
Excess of revenue over expense			27,082	27,082	414,801
Net unrealized loss on available-for-sale investments (Note 21)			(799,925)	(799,925)	-
Endowments received	206,247			206,247	545,403
Tangible capital assets acquired from internal funds		1,408,715	(1,408,715)	-	-
Amortization of internally funded tangible capital assets		(1,602,271)	1,602,271	-	- -
Net book value of disposals		(229,056)	229,056	-	-
Principal repayment of long-term debt		246,464	(246,464)	-	-
Repayment of capital lease obligations		163,333	(163,333)	-	-
	$ 2,177,840	$ 23,896,840	$ 7,535,642	$ 33,610,322	$ 33,503,706

The accompanying notes are part of these financial statements.

KEYANO COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
Cash provided from operating activities:		
Excess of revenue over expense	$ 27,082	$ 414,801
Non-cash transactions:		
Amortization of tangible capital assets	4,706,200	3,601,374
Amortization of deferred capital contributions	(3,103,929)	(1,994,321)
Loss on disposal of tangible capital assets	140,274	103,629
	1,769,627	2,125,483
Changes in working capital (Note 19)	7,250,626	(204,326)
Cash generated from operating activities	9,020,253	1,921,157
Cash provided from (used in) investing activities:		
Purchases of tangible capital assets:		
Internally funded	(1,408,715)	(1,567,382)
Externally funded through contributions and debt	(7,877,606)	(25,226,003)
Proceeds on disposals of tangible capital assets	110,144	2,224
Purchase of long term investments - net	(1,166,357)	(606,019)
Cash used in investing activities	(10,342,534)	(27,397,180)
Cash provided from (used in) financing activities:		
Capital contributions received	4,531,316	23,202,313
Endowment contributions	206,247	545,403
Long-term debt repayment	(409,797)	(330,628)
Long-term debt additions	594,829	482,132
Cash generated from financing activities	4,922,595	23,899,220
Increase (decrease) in cash	3,600,314	(1,576,803)
Cash at beginning of year	9,865,477	11,442,280
Cash at end of year	$ 13,465,791	$ 9,865,477

The accompanying notes are part of these financial statements.

Note 1 Authority and Purpose

Keyano College operates under the authority of the Post-secondary Learning Act, Statutes of Alberta 2003, Chapter P-19.5. The College is a comprehensive community college serving primarily the north-eastern region of Alberta. The College is exempt from payment of income tax under Section 149 of the Income Tax Act.

Note 2 Summaries of Significant Accounting Policies and Reporting Practices

(a) General and Use of Estimates

The financial statements of the College have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results.

(b) Revenue Recognition

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are deferred until that future period and are reflected as deferred contributions.

Amounts received for tuition fees and sales of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions, including restricted investment income on endowment net assets, are recorded as deferred contributions and recognized as revenue in the period in which the related expenses are incurred and conditions of the contribution are met. Unrealized gains and losses on available-for-sale securities attributed to endowment net assets are also recorded in deferred contributions. Externally restricted amounts can only be used for purposes designated by the contributors. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

(b) Revenue Recognition (continued)

Acquisitions of externally restricted capital contributions are recorded as deferred contributions for capital purposes until the amount is invested to acquire tangible capital assets. Capital assets are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded tangible capital asset is recorded.

Contributions of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Financial instruments

Cash, short-term investments and long-term investments are recorded at market value, with unrealized gains and losses recorded in deferred contributions or net assets. Market value is based upon the quoted market price of the securities.

Investments include fixed income and marketable equity securities and are classified as available-for-sale and are measured at fair value at each reporting date. Fair value for publicly traded securities is based on the closing market prices. The College utilizes settlement date accounting for all purchases and sales of financial assets in its investment portfolio.

The College as part of its operations carries a number of financial instruments. It is management's opinion that the College is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed. The carrying amounts of accounts receivable, accounts payable, accrued liabilities, vacation pay, and current portion of long-term debt approximate their fair value due to the short-term maturities and market interest rates of these items.

The carrying value of the College's long-term debt approximates its fair value, as there have been no significant changes in lending rates or other conditions.

(e) Fixed income and marketable equity securities (continued)

Fixed income securities are initially recognized at acquisition cost (purchase price plus transaction costs), which reflects any premium or discount at date of purchase, and carried at fair value. Marketable equity securities are also initially recognized at acquisition cost, and subsequently measured at fair value.

(f) Tangible Capital Assets

Tangible capital asset acquisitions are recorded at cost except for donated assets, which are recorded at fair market value at the time of receipt. Tangible capital assets are amortized on a straight-line basis over the following estimated average useful lives:

	Years
Land improvements	40
Buildings and renovations	15-40
Furnishings and equipment	10-25
Automotive and heavy equipment	5-25
Library materials	10
Audio-visual equipment	10
Computer hardware and software	5-10

(g) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the pension plan. The College does not record the College's portion of the pension plan's deficit.

(h) Expenses

Instruction encompasses all formal educational and instructional program elements. Institutional support includes all activities that provide institution-wide support to other programs. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio-visual services. Student services include all activities or services to the student body of the institution including scholarships and bursaries.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(i) Translation of Foreign Currencies

Monetary assets are translated into Canadian dollars at the rate of exchange at Statement of Financial Position date. Non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect on the dates they occur.

Note 3 Change in Accounting Policy

Effective July 1, 2007, the College implemented new financial instrument standards as described in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement; and Section 3861 – Financial Instruments – Disclosure and Presentation. The College does not use hedge accounting and accordingly, is not impacted by the requirements of Section 3865, Hedges. As permitted for Not-for-Profit Organizations, the College has elected not to apply the standards for embedded derivatives (elements of contracts whose cash flows move independently from the host contract) in non-financial contracts.

Certain transitional adjustments have been recorded in opening net assets and deferred contributions as of July 1, 2007 (transitional date) for the change in accounting for financial assets classified as available-for-sale and measured at fair value, rather than cost, as at the commencement of the current fiscal year.

Financial assets classified as available-for-sale are measured at fair value with changes in fair values recognized in the Statement of Changes in Net Assets or deferred contributions as appropriate until realized, at which time the cumulative changes in fair value are recognized in the Statement of Revenue and Expense.

Upon implementation of the new standards, the College has classified its significant financial assets and financial liabilities as follows:

- Cash is classified as held-for-trading, and is recorded at fair value with changes in fair value recorded through the excess of revenue over expense in each period.
- Short and long-term investments are classified as available-for-sale, and are measured at fair value with unrealized gains or losses included in net assets or deferred contributions until the asset is removed from the statement of financial position. A transitional adjustment as at July 1, 2007 is outlined in Note 21.

Note 3 Change in Accounting Policy (continued)

- Accounts receivable are classified as loans and receivable. After initial fair value measurement, they are measured at amortized cost.
- Accounts payable and accrued liabilities, employee benefit liabilities, and long-term debt are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost.

Note 4 Cash

Daily bank balance earns interest at prime less 1.9%. At June 30, 2008, the College had an available line of credit totaling $1,000,000, none of which was drawn, which bears interest at Royal Bank prime plus 0.25%.

Note 5 Investments

	2008					2007	
	Short-term Investments	Long-term Investments	Market Value	Unrealized Gain/(Loss)	Total Cost	Market Value	Total Cost
Money market	$ 3,046,848	$ -	$ 3,046,848	$ -	$ 3,046,848	$ 4,872,050	$ 4,872,050
Bonds	-	5,238,214	5,238,214	(87,675)	5,325,889	6,556,045	6,719,407
Equities	-	4,742,869	4,742,869	(64,472)	4,807,341	4,693,864	3,758,076
	$ 3,046,848	$ 9,981,083	$ 13,027,931	$ (152,147)	$ 13,180,078	$ 16,121,959	$ 15,349,533

As at June 30, 2008, $2,177,840 at cost (2007 - $1,971,593 at cost) is restricted for endowment purposes.

The Board of Governors has approved investment policies covering both short and long-term investments of the College and the Sports and Wellness Centre.

The investment policy is as follows:

a) Quality constraint of "R1 or A1" or better for money market securities.
b) All corporate and provincial bonds will be rated "A" or higher, with the exception of the portfolio manager having discretion to purchase "BBB" rated securities up to a maximum of 15% of the market value of the fixed income component. There will be a maximum of 70% of the fixed income portfolio rated "A" or below.
c) No more than 10% of the fund will be invested in any one issuer, other than investments guaranteed by the Government of Canada or any province with a "AA" credit rating.
d) The fixed income category of the portfolio shall be a minimum of 40% and a maximum of 60% of the portfolio. This will consist of a maximum of 20% invested in short-term investments, and minimum of 40% invested in bonds.

Note 5 Investments (continued)

e) The equity category of the portfolio shall be a minimum of 40% and a maximum of 60% of the portfolio. This will consist of a range of between 15%-50% Canadian equity and ranges of the 5%-20% for both U.S. and International Equity.
f) No more than a maximum of 10% of the equity component, at market, will be invested in any one equity issue.
g) There will be a maximum of 2% in any one small cap company (capitalization < $500 million), and a maximum aggregate total of 20% in all small cap holdings.
h) Not more than 20% of the bond portfolio will be invested in maple bonds.
i) Not more than 25% of the bond portfolio shall be denominated for payment in foreign currency.

Investment policy for the Sports and Wellness Centre is as follows:

Given the short-term nature of the account, the portfolio will be invested in money market securities and short-term bonds.

a) Money market category of the portfolio shall be a minimum of 70% and a maximum of 100% of the portfolio.
b) Short-term bonds shall be a maximum of 30% of the portfolio.
c) The Money Market Fund will invest in money market securities that are rated at least R-1 (low) by the Dominion Bond Rating Service (DBRS) or equivalent. These investments will be readily liquid securities maturing within one year or in cash.
d) Not more than 10% of the short-term portfolio shall be invested in any one issuer except for securities of, or guaranteed by: i) the Government of Canada, ii) a Province of Canada having at least a "AA" DBRS or equivalent rating or iii) a Canadian Bank having at least a "AA" DBRS or equivalent rating and whose short-term investments are rated R-1 (high) or equivalent.

The portion of the investments related to the Sports and Wellness Centre totaled $1,933,180 at June 30, 2008 market value (2007 - $6,028,303 at market value).

The effective yield for the portfolio on the bond investment is 4.68 % (2007 – 4.90%). The bond investments mature as follows:

	1 – 5 years	6 – 10 years	Over 10 years	Total
Bonds	$ 2,011,474	$ 1,838,613	$ 1,388,127	$ 5,238,214

Note 5 Investments (continued)

Investment Income	2008	2007
Income earned	$ 1,312,690	$ 1,340,844
Restricted		
Transferred to deferred contributions (Note 9)	(169,481)	(129,731)
Transferred to deferred capital (Note 10)	(156,501)	(371,519)
Transferred to revenue (unresticted)	$ 986,708	$ 839,594

Note 6 Inventories

	2008	2007
Bookstore	$ 314,385	$ 220,447
Maintenance supplies	36,792	36,958
	$ 351,177	$ 257,405

Note 7 Tangible Capital Assets

Tangible capital assets are summarized as follows:

	2008			2007
	Cost and Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 12,779,392	$ -	$ 12,779,392	$ 12,779,392
Land improvements	463,183	81,057	382,126	393,706
Buildings and renovations	107,504,603	40,621,497	66,883,106	64,930,048
Furnishings and equipment	14,745,199	6,319,567	8,425,633	5,989,361
Automotive and heavy equipment	6,973,512	4,873,104	2,100,408	1,882,370
Library materials	2,198,248	1,917,538	280,710	242,077
Audio-visual equipment	1,347,742	739,087	608,654	500,694
Computer hardware and software	7,107,422	3,713,614	3,393,808	3,488,543
	$ 153,119,301	$ 58,265,464	$ 94,853,837	$ 90,206,191

Tangible capital assets include gift-in-kind additions with a cost of $317,943.

The Province of Alberta has been granted an option to purchase the whole or any part of the land, buildings and improvements transferred to the College in 1984, at a value of $47,534,300, for the nominal amount of $1 per purchase.

Note 8 Unearned Revenue

	2008	2007
Tuition fees	$ 499,228	$ 763,392
Deferred memberships -		
Sports and Wellness Centre	315,232	-
Contract programs	616,024	728,506
	$ 1,430,484	$1,491,898

Note 9 Deferred Contributions

Deferred contributions represent unspent amounts externally restricted for non-capital purposes.

	2008	2007
Contributions:		
Restricted grants	$ 12,996,426	$ 2,350,522
Restricted donations	142,697	422,444
Investment income (Note 5)	169,481	129,732
	13,308,604	2,902,698
Transferred to revenue:		
Grants	(7,973,625)	(2,059,735)
Donations	(182,458)	(159,807)
Investment income	(63,664)	(152,753)
	(8,219,747)	(2,372,295)
Deferred contribution relating to unrealized gain on endowment investments beginning of the year	99,215	-
Change in unrealized gain on endowment investments relating to deferred contributions	(124,649)	-
Unrealized loss on investments, end of year	(25,434)	-
Increase during the year	5,063,423	530,403
Balance at beginning of year	3,241,800	2,711,397
Balance at end of year	$ 8,305,223	$ 3,241,800
The balance consists of funds restricted for:		
Scholarships and bursaries	$ 786,491	$ 720,436
Operating and program delivery	3,643,576	1,616,261
Infrastructure and maintenance	1,707,772	905,103
Building code upgrade	1,014,229	-
Trades upgrade and expansion	1,178,589	-
Unrealized loss on investments allocated to deferred contributions	(25,434)	-
	$ 8,305,223	$ 3,241,800

Note 10 Deferred Contributions for Capital Purposes

	2008	2007
Contributions		
Grants	$ 3,416,169	$ 20,932,026
Donations	958,646	1,898,768
Investment income (Note 5)	156,501	371,519
	4,531,316	23,202,313
Gift in kind	317,943	-
Transferred to unamortized deferred capital contributions (Note 12)	(7,579,358)	(24,711,059)
Decrease during the year	(2,730,099)	(1,508,746)
Balance, beginning of year	7,969,717	9,478,463
Balance, end of year	$ 5,239,618	$ 7,969,717
The balance consists of funds restricted for:		
Sports and Wellness Centre	$ 1,953,721	$ 7,310,986
Boiler expansion	2,270,018	8,733
Portable class rooms	400,000	-
Other capital projects	615,879	649,998
	$ 5,239,618	$ 7,969,717

Note 11 Long-term Debt

	2008	2007
Alberta Capital Finance Authority Debenture, interest at 6.5% per annum. Repayment of 25 consecutive annual installments of $450,898, principal and interest combined, secured by tangible capital assets with a net book value of $5,030,952. Maturity June 2026	$ 4,703,980	$ 4,840,261
Alberta Capital Finance Authority Debenture, interest at 4.26% per annum. Repayment of 20 consecutive semi-annual installments of $61,939, principal and interest combined, secured by tangible capital assets with a net book value of $991,307. Maturity March 2015	742,924	832,256
Obligations under Capital Lease Interest at varying rates of 7.96% to 14.1%. Payments of $249,341 annually principal and interest combined. Maturity from July 2010 to July 2012	901,934	470,438
Ford Credit Interest at 0%, repayment of $634, $551 and $551 per month respectively secured by related asset with a net book value of $34,008 Maturity August 2009 to August 2010	37,556	58,407
	6,386,394	6,201,362
Current portion	456,182	327,081
	$ 5,930,212	$ 5,874,281

Repayment of principal in each of the next five fiscal years will be as follows:

2009	$ 456,182
2010	482,384
2011	500,319
2012	507,809
2013	327,001

Note 11 Long-term Debt (continued)

All acquired intangibles, accounts, monies, accounts receivable, instruments, claims or rights, choices in action and insurance proceeds derived directly or indirectly from the operations of the student residence have been pledged as security on the Alberta Capital Finance Authority debenture.

Long-term debt is subject to certain covenants with respect to loan payments, property tax payments, and certain contract restrictions. As at June 30, 2008, the College is in compliance with all such covenants. It is management's opinion that the College is likely to remain in compliance with all long-term debt covenants throughout the next 12 months subsequent to June 30, 2008.

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of tangible capital assets which will be recognized as revenue in future periods.

	2008	2007
Balance at beginning of year	$ 60,095,174	$ 37,378,436
Add amount transferred		
Deferred contribution for capital purpose (Note 10)	7,579,358	24,711,059
Less amount amortized to revenue	(3,103,929)	(1,994,321)
Balance at end of year	$ 64,570,603	$ 60,095,174

Note 13 Endowments

Endowments are comprised of externally restricted amounts that are required to be maintained intact.

Note 14 Investments in Tangible Capital Assets

		2008	2007
Tangible capital assets		$ 94,853,837	$ 90,206,191
Less	Debt	(6,386,394)	(6,201,362)
	Unamortized deferred capital contributions (Note 12)	(64,570,603)	(60,095,174)
Balance at end of year		$ 23,896,840	$ 23,909,655

Note 15 Budget

The budget was approved by the Board of Governors on April 25, 2007.

Note 16 Funds Held on Behalf of Others

As of June 30, 2008, the College had $477,742 (2007 - $513,390) in funds held in trust for other parties. These amounts are not included in these financial statements.

Note 17 Ancillary Operations

The College's ancillary operations revenue included in sales, rentals and services and ancillary operations direct expense are summarized as follows:

	2008	2007
Revenue:		
Student residence	$ 2,346,226	$ 2,162,555
Food services facility rental contract	19,999	20,157
Bookstore	857,287	761,753
Theatre	1,136,138	928,364
Sports and Wellness Centre	1,568,471	-
Parking	281,569	219,628
	$ 6,209,690	$ 4,092,457
Expense:		
Student residence	$ 2,139,500	$ 1,677,439
Food services facility rental contract	7,722	601
Bookstore	959,051	757,243
Theatre	1,484,314	1,408,044
Sports and Wellness Centre	2,116,819	-
Parking	147,412	42,873
	$ 6,854,818	$ 3,886,200

Note 18 Salaries and Benefits

	2008				2007
	Salary (Note 1)	Other cash benefits (Note 2)	Other non-cash benefits (Note 3)	Total	Total
Board Chairman	$ -	$ -		$ -	$ -
Board members - 10	18,857			18,857	22,672
President	190,000	39,113	15,157	244,270	161,269
Vice President - Instruction	141,128	20,580	16,966	178,674	161,626
Vice President - Finance and Administration	141,128	34,080	16,943	192,151	186,376
Dean, Academics	114,608	18,480	16,954	150,042	132,799
Dean, CUE	114,608	18,480	16,954	150,042	132,799
Dean, Trades	114,608	18,480	16,954	150,042	130,258

Notes:

1. Salary includes pensionable regular base pay.

2. Other cash benefits include automobile allowances, living allowance, bonus and other allowances.

3. Employer share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental, vision, and group life insurance and accidental death dismemberment insurance.

Note 19 Changes in Non-Cash Working Capital

	2008	2007
Short-term investments	$ 3,335,812	$ (537,343)
Accounts receivable	509,162	(881,496)
Inventories	(93,772)	(33,847)
Prepaid expenses	(245,176)	2,527
Accounts payable and accrued liabilities	(1,732,192)	(132,407)
Accrued vacation pay	449,349	227,984
Unearned revenue	(61,414)	619,852
Deferred contributions	5,088,857	530,403
	$ 7,250,626	$ (204,326)

Note 20 Pension Costs

The pension expense recorded in these financial statements is equivalent to the College's annual contribution expense of $2,029,774 for the year ended June 30, 2008 (2007 - $1,707,134). At December 31, 2007, the Local Authorities Pension Plan reported a deficit of $1,183,334,000 (2006 – deficit of $746,651,000). January 1, 2008, the employers' contribution rates will remain the same.

Note 21 Net Unrealized Gains (Losses) on Available-for-Sale Investments

	2008	2007
Net unrealized gains on available-for-sale investments at July 1, 2007	$ 772,427	$ -
Net unrealized loss on available-for-sale investments arising during the year	(919,889)	-
Net investment loss realized on available-for-sale investments during the year and reported in the statement of operations	(4,685)	-
Net unrealized loss on available-for-sale investments at June 30, 2008	$ (152,147)	$ -

	2008			2007
	Endowment net assets, recorded in deferred contributions (Note 9)	Unrestricted net assets	Total	Total
Balance, July 1, 2007 (Note 3)	$ 99,215	$ 673,212	$ 772,427	$ -
Decrease during year	(124,649)	(799,925)	(924,574)	-
Balance, end of year	$ (25,434)	$ (126,713)	$ (152,147)	$ -

Note 22 Related Party Transactions

(a) Related Party Transactions – Keyano College Foundation ("the Foundation")

The Keyano College Foundation is a registered charitable organization, and receives donations from various sources for the advancement of Keyano College.

The Foundation financial statements (which are prepared using the Restricted Fund method of revenue recognition) are not consolidated in the College's financial statements. The financial summaries of the unconsolidated entity as at June 30, 2007 and 2008 are as follows:

Financial Position	2008	2007
Total assets	$ 2,876,498	$ 2,747,416
Total liabilities	$ 39,756	$ 47,694
Net assets	$ 2,836,742	$ 2,699,722

All of the Foundation's net assets must be provided to the College or used for the College's benefit. As at June 30, 2008, $2,347,703 (2007 - $2,284,035) of the Foundation's net assets are restricted for College programs.

Results of Operations	2008	2007
Revenue	$ 4,103,764	$ 3,605,895
Expenses	3,966,744	4,151,810
Excess of revenue over expenses	$ 137,020	$ (545,915)

Total expenses include contributions of $2,737,678 (2007 – $3,343,907) to the College.

Cash Flows	2008	2007
Cash from operations and increase in cash	$ 74,554	$ 22,542

Note 22 Related Party Transactions (continued)

Total revenue includes contributions from the College of $510,253 (2007 - $469,265) toward salaries and other operating costs of the Foundation. In addition, the College provided certain administrative services and accommodations at no cost to the Foundation.

(b) The College is a provincial corporation as all the members of the Board of Governors are appointed either by the College Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology.

(c) Transactions between the College and Province are included in the following balances as at June 30, 2008.

	Total
Operating grant	$ 34,025,492
Infrastructure grant	7,335,000
Access grant	2,254,458
Apprenticeship grant	120,038
Other grants	179,086
Total	$ 43,914,074

Note 23 Contractual Obligations

The College has entered into a contract agreement with Campus Works Inc. for enterprise resource planning solutions with estimated minimum annual payments as follows:

2009	$ 544,163
2010	606,353
2011	621,975
2012	586,191
2013	335,391

Note 24 Comparative Figures

Certain comparative figures have been reclassified to conform with current year presentation.

Note 25 Approvals of Financial Statements

The Board of Governors approved these financial statements.

Lakeland College

Financial Statements

June 30, 2008

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Lakeland College

I have audited the statement of financial position of Lakeland College as at June 30, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
October 3, 2008

LAKELAND COLLEGE

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2008

	2008	2007
ASSETS		
Cash and short-term investments (Note 4)	$ 14,872,220	$ 11,941,633
Accounts receivable & Prepaids	2,639,571	2,847,423
Inventories (Note 3)	951,956	905,217
	18,463,747	15,694,273
Non-current cash and cash equivalents (Note 4)	4,757,088	4,305,352
Investments (Note 5)	11,142,434	8,242,888
Patronage dividends receivable	12,817	12,817
Capital assets (Note 6)	64,641,982	58,300,796
	$ 99,018,068	$ 86,556,126
LIABILITIES AND NET ASSETS		
Accrued vacation pay	$ 2,036,406	$ 1,902,237
Accounts payable and accrued liabilities	4,122,013	3,005,492
Unearned revenue (Note 7)	2,030,537	2,092,387
Deferred contributions (Note 8)	1,677,760	3,852,764
Current portion of long-term liabilities (Note 12)	588,004	120,000
	10,454,720	10,972,880
Deferred capital contributions (Note 9)	8,476,424	5,682,345
Unamortized deferred capital contributions (Note 10)	47,368,820	43,140,482
Long-term liabilities (Note 12)	3,361,198	2,280,000
	69,661,162	62,075,707
Net assets:		
Unrestricted		
Accumulated excess of revenue over expenses	13,585,450	9,706,200
Accumulated net unrealized gain on investments (Note 11)	396,293	-
Internally restricted (Note 13)	120,545	142,125
Invested in capital assets	13,323,960	12,760,313
Endowments (Note 14)	1,930,658	1,871,782
	29,356,906	24,480,420
	$ 99,018,068	$ 86,556,127

The accompanying notes are part of these financial statements.

LAKELAND COLLEGE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2008

	2008		2007
	Budget (Note 18)	Actual	Actual
Revenue:			
Grants (Note 15)	$ 29,653,663	$ 32,449,903	$ 28,105,537
Tuition and related fees	9,611,619	10,304,775	10,892,314
Sales, rentals and services (Note 16)	4,692,217	5,361,073	4,989,706
Amortization of deferred capital contributions (Note 10)	2,400,000	2,578,117	2,486,207
Contract revenue	2,455,036	2,676,791	4,917,143
Investment income (Note 17)	410,000	1,060,282	807,262
Donations	138,000	241,548	289,169
Other	998,669	1,917,655	1,868,102
	50,359,204	56,590,144	54,355,440
Expense (Note 16):			
Salaries and benefits (Note 19)	28,779,540	29,268,210	26,826,878
Supplies and services	13,920,324	15,551,065	15,961,468
Amortization of capital assets	4,969,104	4,665,531	4,444,772
Utilities	1,954,970	1,841,927	1,849,871
Severance payments	-	124,345	135,142
Interest expense	207,074	302,418	227,344
Scholarships and bursaries	428,192	366,505	374,835
Loss (Gain) on disposal of assets	-	48,826	(6,367)
	50,259,204	52,168,827	49,813,943
Excess of revenue over expenses	$ 100,000	$ 4,421,317	$ 4,541,497

The accompanying notes are part of these financial statements.

LAKELAND COLLEGE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	2008						2007
	Unrestricted	Internally Restricted (Note 13)	Accumulated Net Unrealized Gain (Loss) on Investments (Note 11)	Invested in Capital Assets	Endowments	Total	Total
Excess of revenue over expenses	$ 4,421,317	$ -	$ -	$ -	$ -	$ 4,421,317	$ 4,541,497
Endowment contributions	-				58,876	58,876	95,206
Transfers:						-	-
Net unrealized losses on available						-	
for sale investments (Note 11)			(609,841)			(609,841)	
Amortization of internally funded	2,087,414			(2,087,414)		-	-
capital assets						-	-
Acquisition of internally funded	(4,311,477)			4,311,477		-	-
capital assets						-	-
Assumption of capital lease	1,923,654			(1,923,654)		-	
Repayment of Loans	(374,453)			374,453		-	-
From internally restricted	21,580	(21,580)				-	-
Net book value of capital asset						-	-
disposals	111,215			(111,215)		-	-
Increase in net assets	3,879,250	(21,580)	(609,841)	563,647	58,876	3,870,352	4,636,703
Net assets beginning of year	9,706,200	142,125	-	12,760,313	1,871,782	24,480,420	19,843,717
Adjustment effective July 1, 2007 per Notes 2(b) and 11			1,006,134			1,006,134	
Net assets at end of year	$ 13,585,450	$ 120,545	$ 396,293	$ 13,323,960	$ 1,930,658	$ 29,356,906	$ 24,480,420

The accompanying notes are part of these financial statements.

LAKELAND COLLEGE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
Cash provided by:		
OPERATING ACTIVITIES		
Surplus of revenue over expenses	$ 4,421,317	$ 4,541,497
Non-cash transactions		
Amortization of capital assets	4,665,531	4,444,772
Amortization of deferred capital contributions (Note 10)	(2,578,117)	(2,486,207)
Loss (Gain) on disposal of capital assets	48,826	(6,367)
	6,557,557	6,493,695
Net change in non-cash working capital	(825,050)	4,227,273
Cash provided by operating activities	5,732,507	10,720,968
INVESTING ACTIVITIES		
Acquisition of capital assets		
Internally and debt funded	(4,311,477)	(1,905,262)
Externally funded	(6,806,455)	(3,772,369)
Net purchase and unrealized gains on investments	(2,503,253)	(3,262,509)
Proceeds from disposal of capital assets	62,389	20,008
Cash used in investing activities	(13,558,796)	(8,920,132)
FINANCING ACTIVITIES		
Endowment contributions	58,876	95,206
Proceeds from capital lease	1,923,654	-
Repayment of long-term debt	(374,453)	(175,505)
Capital contributions received (Note 9)	9,600,534	4,754,641
Cash provided by financing activities	11,208,611	4,674,342
INCREASE IN CASH AND SHORT TERM INVESTMENTS	3,382,322	6,475,178
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	16,246,985	9,771,807
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$ 19,629,307	$ 16,246,985

The accompanying notes are part of these financial statements.

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Note 1 Authority and Purpose

Lakeland College (the "College") operates under the authority of the *Post Secondary Learning Act, Chapter P-19.5., Statutes of Alberta, 2003.* The College, as an inter-provincial institution, provides quality educational services responsive to the needs of students in relation to the workplace, community and society. The College is exempt from the payment of income taxes under section 149 of the *Income Tax Act* and is a registered charity.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing the College's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Management believes its estimates to be appropriate, however, actual results could differ from these estimates.

(a) Revenue Recognition

Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period and are reported as deferred contributions.

Amounts received for tuition fees and contract programs and sales, rentals and services are recognized as revenue in the period the goods are delivered or the services are provided.

Capital grants and capital donations are recorded as deferred capital contributions until the amounts are invested in capital assets. Amounts invested representing funded capital assets are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense for the funded capital assets is recorded.

The College recognizes dividend and interest revenue as earned, and investment gains and losses when realized. Realized gains and losses represent the difference between the amounts recognized through sales of investments and their respective cost base, as well as the amounts provided for as a write-down due to impairment. Unrealized gains and losses on available-for-sale securities attributed to endowment net assets are recorded in deferred contributions. Unrealized gains and losses on available-for-sale securities attributed to other net assets are recorded in the Statement of Changes in Net Assets, and are recognized in the Statement of Operations when realized.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributors. Any externally restricted contributions containing stipulations that the amounts should be permanently maintained, are recorded as a direct increase to net assets.

(b) Change in Accounting Policy

Effective July 1, 2007, Lakeland College implemented new financial instrument standards as described in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments - Recognition and Measurement; and Section 3861 - Financial Instruments - Disclosure and Presentation. The College does not use hedge accounting and accordingly, is not impacted by the requirement of Section 3865, Hedges. As permitted for Not-for-Profit Organizations, Lakeland has elected not to apply the standards for embedded derivatives (elements of contracts whose cash flows move independently form the host contract) in non-financial contracts.

Certain transitional adjustments have been recorded in opening net assets and as of July 1, 2007 (transition date) for the change in accounting for financial assets classified as available-for-sale and measured at fair value, rather than cost, as at the commencement of the current fiscal year.

Financial assets classified as available-for-sale are measured at fair value with changes in fair values recognized in the Statement of Changes in Net Assets or deferred contributions as appropriate until realized, at which time the cumulative changes in fair value are recognized in the Statement of Operations.

Upon implementation of the new standards, the College has classified its significant financial assets and financial liabilities as follows:

- Cash and investments are classified as available-for-sale, and are measured at fair value with subsequent gains or losses included in net assets or deferred contributions until the asset is removed from the statement of Financial position. A transitional adjustment as at July 1, 2007 is outlined in Note 11.

- Accounts receivable classified as other loans and receivables. After initial fair value measurement, they are measured at amortized cost.

- Accounts payable, accrued liabilities and employee benefits liabilities are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(c) Capital Assets

Purchased capital assets are recorded at cost. Donated assets are recorded at their fair value when donated. Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings, leasehold and site improvements	3 - 40 years
Furniture, equipment and library	10 years
Vehicles, computers and telecommunication equipment	5 years

(d) Inventories

Livestock inventory is recorded at net realizable value. All other inventories are valued at the lower of cost and net realizable value.

(e) Financial Instruments

The fair values of the College's accounts receivable, accounts payable and accrued liabilities and accrued vacation pay are valued in accordance with the methods described in Note 2(b). Fair value of publicly traded securities are based on closing market prices.

Financial instruments of the College are exposed to credit risk, interest rate risk, foreign exchange risk and market risks. The College's accounts receivable are due from a diverse group of customers and are subject to normal credit risk. The interest rate risk is the risk to the College's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates. The foreign exchange risk is the the risk of the rising costs related to purchase transactions in United States currency and the reduction of amounts collected for receivables which are due in United States currency. The market risk is the risk to the College's earnings that arises from the fluctuation and the degree of volatility in the market value of long-term investments. Each of these risks is limited through the College's collection procedures, investment guidelines and other internal policies, guidelines and procedures.

Fixed income and marketable equity securities are classified as available-for-sale (investments held for long-term capital appreciation and generation of income), and are measured at fair value at each reporting date. The College utilizes settlement-date accounting for all purchases and sales of financial assets in its investment portfolio. Fixed income securities are initially recognized at acquisition cost (purchase price plus transaction costs), which reflects any premium or discount at date of purchase, and carried at fair value. Marketable equity securities are also initially recognized at acquisition cost, and subsequently measured at fair value.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(f) Employee Future Benefits

The College participates in the Province of Alberta's Local Authorities and the Management Employees Pension Plans. These pension plans are multi-employer defined benefit plans that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Local Authority and the Management Employees Pension Plans. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(g) Pledges Receivable

Pledges receivable are not recorded as assets in these financial statements.

Note 3 Inventories

Inventories consist of:

	2008	2007
Livestock	$ 339,125	$ 311,555
Bookstore	323,948	353,041
Firefighting agents	125,725	108,506
Fuels	78,294	48,874
Farm	81,632	80,783
Quip shop	3,232	2,458
	$ 951,956	$ 905,217

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Note 4 Cash and Cash Equivalents

	2008			2007		
	Cost	Unrealized Gain (Loss)	Market	Cost	Unrealized Gain (Loss)	Market
Bank balance	$ 5,126,724	$ -	$ 5,126,724	$ 6,342,883	$ -	$ 6,342,883
Money market investments	11,905,496	-	11,905,496	7,998,750	(1,511)	7,997,239
Endowment investment fund	2,045,406	551,682	2,597,088	1,905,352	644,700	2,550,052
	19,077,626	551,682	19,629,308	16,246,985	643,189	16,890,174
Less non-current portion			(4,757,088)	(4,305,352)		
			$ 14,872,220	$ 11,941,633		

Non-current cash and investments are comprised of:	2008	2007
Endowments	$ 2,597,088	$ 1,905,352
Long Term Debt	2,160,000	2,400,000
	$ 4,757,088	$ 4,305,352

Included in cash and cash equivalents, the college is holding $6 million for capital projects and $3 million in apprenticeship access funds.

Note 5 Investments

	2008			2007		
	Cost	Unrealized Gain (Loss)	Market	Cost	Unrealized Gain (Loss)	Market
Bonds	5,405,625	(69,141)	5,336,484	5,298,835	(109,631)	5,189,204
Mutual Funds	5,340,516	465,434	5,805,950	2,944,053	1,117,277	4,061,330
	$ 10,746,141	396,293	$ 11,142,434	$ 8,242,888	$ 1,007,646	$ 9,250,534

The College's investment strategy is to meet expenditure requirements within one year, investing such funds in liquid investments.

The balance of funds are invested for a longer term with a mix of maturities between one and ten years.

Pooled Bond Funds have an average effective yield of 4.68% (in 2007, 5.10%) and weighted average term to maturity of more than one year.

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Note 6 Capital Assets

Capital assets consist of:

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,612,439	$ -	$ 1,612,439	$ 1,612,439
Buildings	89,213,018	(44,177,496)	45,035,522	41,383,130
Site improvements	18,259,803	(10,585,112)	7,674,691	8,054,736
Furniture & equipment	12,825,225	(8,074,389)	4,750,836	3,502,145
Computers & tele-communications equipment	12,067,113	(7,716,203)	4,350,910	2,583,541
Vehicles	2,329,220	(1,693,116)	636,104	532,319
Leasehold improvements	-	-	-	79,998
Milk quotas	267,641	-	267,641	220,391
Library	3,454,164	(3,140,325)	313,839	332,097
	$ 140,028,623	$ (75,386,641)	$ 64,641,982	$ 58,300,796

The Province of Alberta has been granted an option to purchase for $1 the whole or any part of the land, buildings and site improvements that it transferred to the College in 1982.

In 2006 for the consideration of $1, Lakeland College sold its interest in six acres of land to the Town of Vermilion for the Town's use of building a Community Centre.

Buildings include $9,059,050 (2007 - $3,449,537) of the Lloydminster Expansion project and Computers & telecommunications equipment include $117,614 relating to the wireless / network separation project, amortization of which is deferred until the completion of the projects.

Note 7 Unearned Revenue

Unearned revenue consists of:

	2008	2007
Tuition and residence fees	$ 1,480,565	$ 1,310,198
Contract advances	193,847	416,122
Extension and community education course fees	58,897	38,804
Projects & programs	297,228	327,263
	$ 2,030,537	$ 2,092,387

Note 8 **Deferred Contributions**

Changes in deferred contributions are as follows:

	2008	2007
Restricted donations & contributions received during the year		
Conditional grants	$ 2,412,290	$ 5,442,992
Donations in kind	57,621	57,114
Restricted Donations	63,985	5,350
Scholarships	325,605	163,911
Interest on endowments (Note 17)	120,066	106,760
	2,979,567	5,776,127
Transferred to revenue:		
Conditional grants (Note 15)	(5,326,139)	(2,438,875)
Restricted donations	(3,350)	(10,334)
Donations in Kind	(16,360)	(53,414)
Scholarships and bursaries	(360,404)	(267,420)
	(5,706,253)	(2,770,043)
Increase (decrease) during the year relating to operating funding	(2,726,686)	3,006,084
Balance at beginning of the year relating to operating funding.	3,852,764	846,680
Balance at end of the year relating to operating funding.	$ 1,126,078	$ 3,852,764
Deferred contributions relating to unrealized gain on investments		
Unrealized gain on investments, beginning of year, as restated (Note 11)	644,700	-
Change in unrealized gain on investments relating to deferred contribution	(93,018)	-
Unrealized gain on investments, end of year	$ 551,682	$ -
Total Deferred contributions, Balance at end of year	$ 1,677,760	$ 3,852,764
The balance consists of funds restricted for:		
Conditional programs	757,799	3,569,753
Scholarships and bursaries	330,710	261,663
College development	37,569	21,348
Unrealized gain on investments allocated to deferred contributions.	551,682	-
	$ 1,677,760	$ 3,852,764

Note 9 Deferred Capital Contributions

Changes in deferred capital contributions are as follows:

	2008	2007
Contributions received during the year	$ 9,227,829	$ 4,754,641
Interest allocated to deferred capital contributions	372,705	
Total contributions received in year	9,600,534	4,754,641
Transferred to unamortized deferred contributions (Note 10)	(6,806,455)	(3,772,369)
Balance at beginning of the year	5,682,345	4,700,073
Balance at end of the year	$ 8,476,424	$ 5,682,345

Note 10 Unamortized Deferred Capital Contributions

	2008	2007
Transferred to revenue	$ (2,578,117)	$ (2,486,207)
Transferred from deferred capital contribuitons (note 9)	6,806,455	3,772,369
	4,228,338	1,286,162
Balance at the beginning of the year	43,140,482	41,854,320
Balance at the end of the year	$ 47,368,820	$ 43,140,482

Note 11 Net Unrealized Gains on Available-for-Sale Investments

	2008	2007
Net unrealized losses on available-for-sale investments arising during the year	$ (695,762)	$ -
Net investment losses realized on available-for-sale investments during the year and reported in the statement of operations.	(7,097)	-
Decrease in unrealized gain on available-for-sale investments	(702,859)	-
Balance, July 1, 2007 (Note 2(b))	$ 1,650,834	$ -
Net unrealized gains on available-for-sale investments at end of year	$ 947,975	$ -

	2008			2007
	Endowment net assets, recorded in deferred contributions (Note 8)	Other Net Assets	Total	Total
Balance, Beginning of year (Notes 2(b) and 3(b))	$ 644,700	$ 1,006,134	$ 1,650,834	-
Decrease during the year	(93,018)	$ (609,841)	(702,859)	-
Balance, End of year	551,682	$ 396,293	$ 947,975	-

Note 12 Long-Term Liabilities

	2008	2007
(a) Long Term Debt	$ 2,280,000	$ 2,400,000
(b) Capital Lease	1,669,202	-
Total Long Term Liabilities	$ 3,949,202	$ 2,400,000
Current Portion	(588,004)	(120,000)
Long Term Portion	$ 3,361,198	$ 2,280,000

(a) Long-term Debt:

	2008	2007
Alberta capital financing authority (AFCA)	$ 2,280,000	$ 2,400,000
Less: current portion	$ (120,000)	$ (120,000)
	$ 2,160,000	$ 2,280,000

The ACFA loan is a 25 year debenture secured by residences with value of $2,956,794 . The debenture incurs interest at 6.5% per annum.

	AFCA Loan
2008-09	$ 120,000
2009-10	120,000
2010-11	120,000
2011-12	120,000
2012-13 and subsequent	1,800,000
	$ 2,280,000

(b) Capital Lease:

	2008	2007
IBM capital lease	1,669,202	-
Less: current portion	(468,004)	-
Non-current capital lease obligation	1,201,198	-

The minimum annual payments under the capital lease obligation are as follows:

	IBM Lease
2008-09	$ 468,004
2009-10	468,004
2010-11	468,004
2011-12	468,004
Total minimum lease payments	$ 1,872,016
Less: amount representing interest	(202,814)
Capital lease obligation	$ 1,669,202

The IBM lease is for goods and services relating to the restucturing of the College network and enabling the wireless internet access system and is for a term of 5 years with an imputed interest rate of 4.75%. During the year, interest of $66,453 (2007 -$0) has been charged to the expense.

Note 13 Net Assets Internally Restricted by the Board

Net assets internally restricted by the Board represent amounts set aside by the College's Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without the approval of the Board.

	2008	2007
Major maintenance and equipment	$ 68,230	$ 75,314
Delivery initiatives	52,315	66,811
	$ 120,545	$ 142,125

Note 14 Endowments

External endowments consist of funds restricted for:

	2008	2007
College development	$ 420,089	$ 420,089
Scholarships and bursaries	1,510,569	1,451,693
	$ 1,930,658	$ 1,871,782

Funds are required to be maintained in perpetuity.

Note 15 Grants

Grant revenue consists of:	2008 Budget	2008 Actual	2007 Actual
Advanced Education			
General Operating	$ 25,674,084	$ 25,939,714	$ 24,451,864
Conditional (Note 8)	2,932,838	5,326,139	2,438,875
Other Government Grants	8,000	-	84,789
Province of Saskatchewan			
General Operating	1,038,741	1,184,050	1,130,009
	$ 29,653,663	$ 32,449,903	$ 28,105,537

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Note 16 Sales, Rentals and Services

Revenue and direct expense for sales, rentals and services consists of:

	2008		2007
	Budget	Actual	Actual
Revenue:			
Residences	$ 2,399,745	$ 2,646,975	$ 2,624,033
Bookstores	896,045	1,124,981	1,002,330
Cafeterias	699,224	860,181	760,346
Conference Services	300,500	306,304	321,820
Printing	4,500	9,658	8,624
Swimming Pools	224,998	177,055	171,618
Other	167,205	235,919	100,935
	4,692,217	5,361,073	4,989,706
Direct Expenses:			
Residences	2,273,694	3,001,736	2,205,771
Bookstores	891,191	1,155,190	1,114,429
Cafeterias	740,501	893,758	771,911
Conference Services	295,899	277,818	356,735
Printing	2,340	916	1,458
Swimming Pools	275,416	254,804	225,417
Other	148,902	409,730	142,080
	4,627,943	5,993,952	4,817,801
Excess of Revenue over Direct Expenses	$ 64,274	$ (632,879)	$ 171,905

Note 17 Investment Revenue

	2008	2007
Investment Income Earned	$ 1,187,445	$ 915,023
Loss on Sale of Investments	(7,097)	(1,001)
Investment Income Before Transfer	1,180,348	914,022
Less: amount transferred to deferred contributions (Note 8)	(120,066)	(106,760)
Investment Income from Unrestricted Sources	$ 1,060,282	$ 807,262

Note 18 **Operating Expense**

Operating expense is summarized as follows:

	2008 Budget	Actual	2007 Actual
Instruction	$ 19,997,096	$ 21,250,076	$ 21,255,684
Amortization of capital assets	4,969,104	4,665,531	4,444,772
Cost of sales, rental & services (Note 16)	4,627,943	5,993,952	4,817,801
Facility operations and maintenance	3,230,497	5,255,476	4,077,630
Academic support	4,377,926	3,886,839	4,896,174
Institutional support	8,355,739	5,575,780	5,243,030
Student services	2,804,902	3,681,693	3,513,522
Computing services	1,895,997	1,859,480	1,565,330
	$ 50,259,204	$ 52,168,827	$ 49,813,943

Instruction encompasses all formal education and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio-visual services. Institutional support includes all activities that provide institution-wide support to other programs such as the President's office, human resources and financial services. Student Services includes all activities and services for the student body.

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Note 19 Salaries and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 12/98 as amended in 2007 and only includes salary and benefit information for the Board and Executive Management:

	2008 Number of Individuals	2008 Base Salary (1)	2008 Other Cash Benefits (2)	2008 Other Non-Cash Benefits (3)	2008 Total	2007 Number of Individuals	2007 Total
Chairman of Board	1	$ -	$ 14,434	$ 726	$ 15,160	1	$ 23,226
Other Board	11	-	31,694	761	32,455	11	38,428
		-	46,128	1,487	47,615		61,654
President	1	155,000		20,765	175,765	1	169,460
VP Academics	1	130,000		20,333	150,333	1	144,510
VP Student and College Services	1	130,000		20,182	150,182	1	124,379
Executive Director External Relations (4)		-	-	-	-	1	275,533
Director, Human Resources	1	108,514		18,121	126,635	1	118,224
Director, Fund Development	1	86,106		15,276	101,382	1	90,141
		609,620	-	94,677	704,297		922,247
Salaries & Ben Expense in year.		$ 609,620	$ 46,128	$ 96,164	$ 751,912		$ 983,901

(1) Base salary includes pensionable base pay.

(2) Other cash benefits includes honoraria.

(3) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, professional memberships and tuition.
Other non-cash benefits figure also includes the Employer's share of the cost of additional benefits including sabbaticals or other special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

(4) Executive Director, External Relations position was vacated in 2007 and will not be filled.

Note 20 Budget

The operating and capital budgets were approved by the Board of Governors on March 28, 2007. The operating budget does not include revenues and expenses for ad hoc programs negotiated subsequent to budget approval. The approved capital budget provided $3,166,248 (actual $4,573,568) for internally funded acquisitions of capital assets.

Note 21 Commitments

The College has the following commitments requiring future minimum annual payments for years ending June 30 as follows:

2008-09	$ 308,468
2009-10	199,498
2010-11	29,441
2011-12	-
2012-13	-
	$ 537,407

Note 22 **Related Party Transactions**

Province of Alberta

The College is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education. Grant revenue transactions between the College and the Province are disclosed in the College financial statements as follows:

	2008			
	Deferred Contribution	Deferred Capital Contributions	Grant Revenue	Total
Alberta Advanced Education				
Regular operating	$ -	$ -	$ 25,939,714	$ 25,939,714
Performance funding	-	-	-	-
Access funding	383,698	23,126	3,530,576	3,937,400
Conditional	271,022	1,801,615	237,363	2,310,000
Alberta Infrastructure				
Infrastructure maintenance	19,345	5,355,105	1,558,200	6,932,649
Total	$ 674,065	$ 7,179,846	$ 31,265,853	$ 39,119,764

	2007			
	Deferred Contributions	Deferred Capital Contributions	Grant Revenue	Total
Alberta Advanced Education				
Regular operating	$ -	$ -	$ 24,303,046	$ 24,303,046
Performance funding	-	-	148,818	148,818
Access funding	2,414,180	37,882	1,826,961	4,279,023
Conditional	96,740	970,376	153,808	1,220,924
Alberta Infrastructure				
Infrastructure maintenance	1,035,735	3,616,463	458,106	5,110,304
Total	$ 3,546,655	$ 4,624,721	$ 26,890,739	$ 35,062,115

The College provided courses to other provincial colleges and participated in the development, sale and offering of certain courses with other public colleges. The revenues and expenses incurred for these have been included in the statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair market value.

Note 23 **Pension Liability and Expense**

In the year ending June 30, 2008, the College participated the Local Authorities Pension Plan (LAPP) in the amount of of $1,611,372 (2007-$1,414,616). As at December 31, 2007, the LAPP reported a deficiency of $1,183,334,000 (2006 - $746,651,000). The January 1, 2008 employers' contribution rate was not increased. Pension expenses are recorded in the Salaries and Benefits section of the Statement of Operations.

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Note 24 **Contingent Liabilities**

There is one unresolved claim against the College. While the outcome of this claim cannot be predicted at this time, it is the opinion of management that the resolution of this claim will not have a material effect on the financial statements of the College and it has not been reflected in these statements. Additional costs of settling this claim, if any, will be charged to operations upon settlement, which in Management's opinion will not have a material effect on the financial position of the College.

Note 25 **Comparative Figures**

The 2007 figures have been reclassified where necessary to conform to 2008 presentation.

Note 26 **Approval of Financial Statements**

These financial statements were approved by the Board of Governors.

LETHBRIDGE COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2008

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Revenue and Expense

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of the Lethbridge College

I have audited the consolidated statement of financial position of the Lethbridge College (the College) as at June 30, 2008 and the consolidated statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 29, 2008

LETHBRIDGE COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2008

	2008	2007
ASSETS		
Current:		
Cash and cash equivalents (Note 3)	$ 5,561,059	$ 6,755,827
Accounts receivable (Note 4)	2,530,036	2,568,410
Accrued investment income	77,489	150,605
Inventories (Note 5)	617,739	474,921
Prepaid expenses	532,834	334,116
	9,319,157	10,283,879
Non-current cash and investments (Note 3)	30,594,446	19,402,335
Capital assets (Note 6)	58,995,549	57,285,292
	$ 98,909,152	$ 86,971,506
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 3,744,299	$ 5,533,996
Accrued vacation pay	955,037	869,426
Unearned revenue (Note 7)	1,587,397	2,107,611
Deferred contributions (Note 8)	3,958,857	2,326,523
Current portion of debenture payable (Note 10)	188,873	169,491
	10,434,463	11,007,047
External capital contributions (Note 8)	8,463,808	2,978,349
Debenture and capital lease payable (Note 10)	5,446,960	5,625,333
Unamortized external capital contributions (Note 11)	43,413,384	40,576,286
	57,324,152	49,179,968
	67,758,615	60,187,015
Net assets:		
Operating:		
Unrestricted		
Accumulated excess of revenue over expense	12,240,268	7,179,059
Accumulated net unrealized gain (loss) on investments (Note 12)	(796,921)	-
Internally restricted (Note 13)	3,713,254	2,758,458
	15,156,601	9,937,517
Investment in capital assets (Note 6)	9,946,332	10,914,182
Endowments (Note 14)	6,047,604	5,932,792
	31,150,537	26,784,491
	$ 98,909,152	$ 86,971,506

Commitments and contingencies (Note 22)

The accompanying notes are part of these consolidated financial statements.

LETHBRIDGE COLLEGE
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2008

	2008		2007
	Budget (Note 23)	Actual	Actual
Revenue:			
Grants (Note 15)	$ 39,198,650	$ 40,303,279	$ 36,255,034
Tuition and related fees	16,524,664	15,036,458	14,727,733
Sales, rentals and services (Note 16)	7,369,937	7,772,291	7,504,744
Contract programs	1,799,811	2,655,879	1,906,755
Investment income (Note 17)	1,368,273	1,412,480	1,269,064
Donations	274,000	254,835	120,743
Amortization of external capital contributions (Note 11)	2,700,864	2,827,209	2,216,628
	69,236,199	70,262,431	64,000,701
Expense (Note 18):			
Salaries and benefits (Note 19)	43,713,155	42,139,095	43,136,584
Supplies and services	13,297,640	12,347,390	11,105,311
Cost of sales, rentals and services (Note 16)	2,862,384	3,226,186	2,969,727
Utilities	1,662,950	1,341,008	1,416,440
Scholarships and bursaries	226,000	244,613	269,768
Debenture interest	351,473	352,154	361,454
Amortization of capital assets	5,316,056	5,506,441	4,753,086
	67,429,658	65,156,887	64,012,370
Excess (Deficiency) of revenue over expense	$ 1,806,541	$ 5,105,544	$ (11,669)

The accompanying notes are part of these consolidated financial statements.

LETHBRIDGE COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	2008						2007
	Unrestricted	Cumulative net unrealized gain (loss) on investments (Note 12)	Internally Restricted (Note 13)	Investment in Capital Assets (Note 6)	Restricted for Endowment Purposes (Note 14)	Total	Total
Balance at beginning of year	$ 7,179,059	$ -	$ 2,758,458	$ 10,914,182	$ 5,932,792	$ 26,784,491	$ 26,530,280
Adjustment due to change in accounting policy [Note 2(b)]	-	4,355	-	-	-	4,355	-
Balance at beginning of year, as restated [Note 2(b)]	7,179,059	4,355	2,758,458	10,914,182	5,932,792	26,788,846	26,530,280
Excess (Deficiency) of revenue over expense	5,105,544	-	-	-	-	5,105,544	(11,669)
Transfer to net assets internally restricted	(954,796)	-	954,796	-	-	-	-
Capital assets acquired from internal funds	(1,552,391)	-	-	1,552,391	-	-	-
Amortization of internally funded capital assets	2,679,232	-	-	(2,679,232)	-	-	-
Repayment of debenture related to capital assets	(158,991)	-	-	158,991	-	-	-
Transfer to endowments	(57,389)	-		-	57,389	-	-
Endowment contributions received	-	-	-	-	57,423	57,423	265,880
Cumulative net unrealized gain (loss) on available-for-sale investments arising during the year	-	(801,276)	-	-	-	(801,276)	-
Balance at end of year	$ 12,240,268	$ (796,921)	$ 3,713,254	$ 9,946,332	$ 6,047,604	$ 31,150,537	$ 26,784,491

The accompanying notes are part of these consolidated financial statements.

LETHBRIDGE COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	2008		2007
	Budget (Note 23)	Actual	Actual
Cash flows generated from operating activities:			
Excess (Deficiency) of revenue over expense	$ 1,806,451	$ 5,105,544	$ (11,669)
Amortization of capital assets	5,316,056	5,506,441	4,753,086
Amortization of external capital contributions	(2,700,864)	(2,827,209)	(2,216,628)
	4,421,643	7,784,776	2,524,789
Changes in non-cash working capital:			
Accounts receivable	-	38,374	(538,182)
Accrued investment income	-	73,116	(63,746)
Inventories	-	(142,818)	108,101
Prepaid expenses	-	(198,718)	79,436
Accounts payable and accrued liabilities	-	(1,789,697)	1,774,807
Accrued vacation pay	-	85,611	38,493
Unearned revenue	-	(520,214)	512,682
Deferred contributions	-	1,632,334	109,227
	-	(822,012)	2,020,818
	4,421,643	6,962,764	4,545,607
Cash flows used by investing activities:			
Acquisition of capital assets:			
From internal funds	(2,210,561)	(1,552,391)	(1,983,985)
From external funds	(2,490,000)	(5,664,307)	(7,634,763)
Proceeds from disposal of capital assets	-	-	7,200
Decrease (Increase) in unrealized gain (loss) on available-for-sale investments	-	(796,921)	-
Decrease (Increase) in non-current cash and investments	-	(11,192,111)	(6,129,592)
	(4,700,561)	(19,205,730)	(15,741,140)
Cash flows generated from financing activities:			
Capital contributions received	577,000	11,387,443	6,121,717
Transfer from (to) deferred contributions	-	(237,677)	(582,188)
Debenture principal repayment	(169,461)	(169,491)	(159,708)
Obligations on capital lease, net of repayments	-	10,500	-
Endowment contributions received	500,000	57,423	265,880
	907,539	11,048,198	5,645,701
Increase (Decrease) in current cash and cash equivalents	628,621	(1,194,768)	(5,549,832)
Current cash and cash equivalents, beginning of year	10,460,908	6,755,827	12,305,659
Current cash and cash equivalents, end of year	$ 11,089,529	$ 5,561,059	$ 6,755,827

The accompanying notes are part of these consolidated financial statements.

Note 1 Authority and Purpose

Lethbridge College was established as a board governed institution on April 17, 1957. The College operates under the authority of the Post Secondary Learning Act, Chapter P19.5, Statutes of Alberta 2003. The College provides educational programs to serve the career education and training needs of students and employers and to respond to personal and community development needs through an extensive offering of general interest courses and public service outreach activities. The College is a registered charity and is exempt from payment of income tax.

The Lieutenant Governor in Council of the Province of Alberta approved an Order in Council changing the name of Lethbridge Community College to Lethbridge College, effective February 14, 2007.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidated Statements

These consolidated financial statements include the accounts of Lethbridge Community College Foundation ("the Foundation"), doing business as Lethbridge College Foundation, which operates under the Companies Act of Alberta. The Foundation is a registered charity and is exempt from payment of income tax. Certain administrative services are provided by the College without charge to the Foundation.

The accounts of the two organizations have been consolidated to reflect the financial position and results of operations as though they were a single economic entity, since the Foundation solicits, receives and administers donations for the advancement of the College. Inter-entity balances and transactions have been eliminated on consolidation.

(b) Financial Instruments – Change in Accounting Policy

Effective July 1, 2007, Lethbridge College implemented new financial instrument standards as described in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement and Section 3861, Financial Instruments – Disclosure and Presentation. The College does not use hedge accounting and accordingly, is not impacted by the requirements of Section 3865, Hedges. As permitted for Not-For-Profit

Organizations, the College has elected not to apply the standards for embedded derivatives (elements of contracts whose cash flows move independently from the host contract) in non-financial contracts.

Certain transitional adjustments have been recorded in opening net assets and deferred contributions as of July 1, 2007 (transitional date) for the change in accounting for financial assets classified as available-for-sale and measured at fair value, rather than cost, as at the commencement of the current fiscal year.

Financial assets classified as available-for-sale are measured at fair value with changes in fair values recognized in the Consolidated Statement of Changes in Net Assets or deferred contributions as appropriate until realized, at which time the cumulative changes in fair value are recognized in the Consolidated Statement of Revenue and Expense.

Upon implementation of the new standards, the College has classified its significant financial assets and financial liabilities as follows:

- Cash and cash equivalents are classified as held-for-trading, and are recorded at fair value with changes in fair value recorded through the excess of revenue over expense in each period.
- Long-term investments are classified as available-for-sale, and are measured at fair value with subsequent gains or losses included in net assets or deferred contributions until the asset is removed from the Consolidated Statement of Financial Position. A transitional adjustment as at July 1, 2007 is outlined in Note 3.
- Accounts Receivable are classified as loans and receivable. After initial fair value measurement, they are measured at amortized cost.
- Accounts payable and accrued liabilities and accrued vacation pay are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost.

(c) Financial Instruments

The fair values of financial assets and liabilities are valued in accordance with the methods as described in Note 2 (b).

Financial instruments of the College are exposed to credit risk, interest rate risk, foreign exchange risk and market risks. The College's accounts receivable are due from a diverse group of customers and are subject to normal credit risk. The interest rate risk is the risk to the College's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates. The foreign exchange risk is the risk of the rising costs related to purchase transactions in United States Currency and the reduction of amounts collected for receivables which are due in United States Currency. The market risk is the risk to the College's earnings that arises from the fluctuation and the degree of volatility in the market value of non-current investments. Each of these risks is limited through the College's collection procedures, investment guidelines and other internal policies, guidelines and procedures.

(d) Revenue Recognition

Operating contributions, including grants from the Province of Alberta, are recognized as revenue in the period when they become receivable. Operating contributions received for a future period are reported as deferred contributions and recognized as revenue in the subsequent period.

Capital contributions, including capital grants from the Province of Alberta, are recorded as external capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the external capital contributions revenue are matched to indicate that the related amortization expense has been funded. Capital contributions invested in capital assets that will not be amortized are recognized as direct increases in net assets.

Externally restricted non-capital contributions and externally restricted interest earned on non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. If the contributors stipulate that the amounts cannot be expended, as is the case with endowments, the contributions are recorded as direct increases in net assets.

Donations, which are not externally restricted, are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Pledges are recorded in the year the donation is received.

Amounts received for tuition fees and sale of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

The College recognizes dividend and interest revenue as earned, and investment gains and losses when realized. Realized gains and losses represent the difference between the amounts recognized through sale of investments and their respective cost base. Unrealized gains (losses) on available-for-sale securities are recorded in non-current cash and investments and deferred contributions on the Consolidated Statement of Financial Position and the Consolidated Statement of Changes in Net Assets until recognized in the Consolidated Statement of Revenue and Expense, when realized.

(e) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors to be used for designated purposes.

(f) Investments

Non-current cash and investments intended to be held for longer term are recorded at their fair values.

The Canadian Institute of Chartered Accountants (CICA) has issued new accounting standards for Financial Instruments. The principal impacts of the standards are outlined in Note 2 (b).

Fixed income, including government and corporate bonds and debentures, and marketable equity securities are classified as available-for-sale (investments held for long-term capital appreciation and generation of income), and are measured at fair value at each reporting date. Fair values for publicly traded securities are based on the closing market prices. The College utilizes settlement-date accounting for all purchases and sales of financial assets in its investment portfolio. Fixed income securities are initially recognized at acquisition cost (purchase price plus transaction costs), which reflects any premiums or discounts at date of purchase, and recorded at fair value. Marketable securities are also initially recognized at acquisition cost and subsequently recorded at fair value.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value. Cost is determined using the weighted average method for the Bookstore and the first in, first out method for all other inventories.

(h) Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at fair value at the time of the donation.

Capital assets are amortized on a straight-line basis as follows:

Buildings and site improvements	40 years
Furnishings and equipment	10 years
Library	10 years
Motor vehicles	5 years
Computer equipment and systems software	5 years
Audio and visual equipment	2 years

The permanent art collection is recorded at the appraised value at the time of donation. The permanent art collection is not amortized. The collection is made up of numerous pieces of art that are held for display at the College.

Capital projects in progress are not amortized until the project is complete.

(i) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's surplus or deficit is not recorded in the accounts.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(j) Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(k) Asset Retirement Obligations

Lethbridge College is subject to regulations requiring the repair, removal and disposal of asbestos. The obligation under these regulations meets the definition of a conditional asset retirement obligation.

As a result of the longevity of the College's facilities, due in part to the College's maintenance procedures, and the fact that the College does not have plans for major changes that would require the removal of asbestos, the timing of the removal of asbestos in the College's facilities is indeterminate as at June 30, 2008. As a result, the College is currently unable to estimate the fair value of its asbestos removal and disposal obligation. Therefore, expenditures are recorded in accounts as they are incurred.

Note 3 Cash and Investments

The Board of Governors has approved an investment strategy with primary investment objectives being the preservation of capital and the generation of a competitive total return. The investment policy provides guidelines on the asset mix, diversification, quality and nature of securities, and the term of the fixed income securities. The guidelines are as follows:

(a) Asset Class

Cash equivalents	from 0% to 60% of total portfolio
Fixed income securities	from 40% to 80% of total portfolio
Equities	from 0% to 50% of total portfolio

Note 3 Cash and Investments (continued)

To measure investment performance and identify the return attributed to the asset mix and asset selection decisions, the College has established a portfolio benchmark of 5% cash equivalents, 60% fixed income securities and 35% equities. Further, it measures cash equivalent returns against the return from the historical treasury bill rate over a rolling four year period, fixed income returns against the return for the Scotia McLeod Universe Index, and equity returns against the return for the TSX 300 Index and the Morgan Stanley Capital International, Europe, Australia and Far East Index.

(b) Diversification

No more than 10% of the total portfolio will be invested in any one money market issuer other than investments in issuers with a minimum BBB rating as defined by a recognized bond rating service or those guaranteed by the Government of Canada or the Province of Alberta. With these conditions, the maximum investment may be extended to 20% of the total portfolio. No more than 10% of the portfolio will be invested in any one government bond issue other than the Government of Canada or the Province of Alberta. A 30% maximum is placed on any single industry investment and a 4% maximum on any single issuer in the private sector.

Note 3 Cash and Investments (continued)

(c) Quality and Nature of Securities

All money market securities will be rated "R-1" or equivalent by the Canadian Bond Rating or the Dominion Bond Rating Services. All corporate and government bonds will carry a rating of a minimum equivalent BBB rating by a recognized bond rating service.

	2008			2007	
	Carrying Value	Temporary Gain/(Loss)	Fair Value[i]	Carrying Value	Fair Value[i]
Cash and temporary investments:					
Cash	$ 5,895,190	-	$ 5,895,190	$ 6,918,470	$ 6,918,470
Short term investments	6,497,299	(2,875)	6,494,424	72,607	72,696
	12,392,489	(2,875)	12,389,614	6,991,077	6,991,166
Fixed income:[ii]					
Federal guaranteed bonds	5,964,091	30,003	5,994,094	4,369,961	4,282,655
Provincial guaranteed bonds	582,276	9,472	591,748	1,197,871	1,164,640
Corporate bonds	5,517,214	(224,413)	5,292,801	4,473,226	4,338,803
	12,063,581	(184,938)	11,878,643	10,041,058	9,786,098
Equities:					
Canadian	6,956,912	(187,767)	6,769,145	5,160,014	5,364,521
Foreign	5,848,774	(730,671)	5,118,103	3,966,013	4,014,402
	12,805,686	(918,438)	11,887,248	9,126,027	9,378,923
	37,261,756	(1,106,251)	36,155,505	26,158,162	26,156,187
Less amounts not available for current purposes	31,700,697	(1,106,251)	30,594,446	19,402,335	19,400,360
Cash and cash equivalents	$ 5,561,059	$ -	$ 5,561,059	$ 6,755,827	$ 6,755,827

[i] On July 1, 2007, Lethbridge College adopted the new accounting standards for Financial Instruments [Note 2 (b)]. The new standards require a transitional adjustment for net cumulative unrealized losses on available-for-sale investments, resulting in a decrease in the non-current cash and investment balance as at July 1, 2007 of $1,975. Of this amount, $6,330 relates to a loss on investments attributed to endowment net assets and has been recorded as deferred contributions. The balance of $4,355 relates to a gain to other net assets. Also refer to Notes 8 and 12.

[ii] The terms of the bond portfolio range from 1 year to 9 years with an average term to maturity of 5 years (2007 - 5 years). The average effective yield on the bond portfolio is 5.31% (2007 – 5.41%)

Note 4 Accounts Receivable

	2008	2007
Contract programs	$ 1,056,470	$ 805,419
Province of Alberta:		
Alberta Advanced Education	110,098	105,377
Alberta Infrastructure and Transportation	1,058	106,711
Other Alberta Government departments	113,859	101,644
Government of Canada - Goods and Services Tax	96,585	188,719
Tuition fees	734,665	906,407
Other	417,301	354,133
	$ 2,530,036	$ 2,568,410

Note 5 Inventories

	2008	2007
Bookstore	$ 518,534	$ 389,891
Cafeteria	69,485	54,061
Distance Education Centre	9,167	8,422
Other	20,553	22,547
	$ 617,739	$ 474,921

Note 6 Capital Assets

(a) Summary of Cost and Net Book Value

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 475,994	$ -	$ 475,994	$ 475,994
Building and site improvements	99,733,404	51,946,898	47,786,506	39,290,345
Furnishings and equipment	13,272,326	8,824,963	4,447,363	2,663,253
Library	1,287,115	996,335	290,780	264,689
Motor vehicles	1,095,080	928,907	166,173	108,622
Computer equipment and systems software	13,072,415	10,696,070	2,376,345	4,276,783
Audio and visual equipment	903,330	795,748	107,582	81,020
Permanent art collection	439,634	-	439,634	439,634
	130,279,298	74,188,921	56,090,377	47,600,340
Capital projects in progress (i)	2,905,172	-	2,905,172	9,684,952
	$ 133,184,470	$ 74,188,921	58,995,549	57,285,292
Less: Construction financed by debenture			5,625,333	5,794,824
Capital lease			10,500	-
Unamortized external capital contributions			43,413,384	40,576,286
Net investment in capital assets			$ 9,946,332	$ 10,914,182

(i) Capital projects in progress (Note 22):

During the year, major capital projects were begun which will be capitalized as part of building and site improvements and furnishings and equipment and systems software when completed. These projects are summarized as follows:

Andrews Building renovations, excluding asbestos removal	$ 2,616,823
Fire alarm replacement and security system upgrade project	130,761
Reporting software project	157,588
	$ 2,905,172

(b) Capital Acquisitions

Capital acquisitions during the year included certain donations in kind at fair value of $143,143 (2007 - $33,268).

Note 7 Unearned Revenue

	2008	2007
Contract programs	$ 254,712	$ 326,799
Tuition fees	1,284,884	1,569,823
Other	47,801	210,989
	$ 1,587,397	$ 2,107,611

Note 8 Deferred Contributions and External Capital Contributions

Deferred contributions and external capital contributions represent donations and contributions received relating to future years and unspent funds for externally restricted purposes. Changes in the balances are as follows:

	2008	2007
Contributions received:		
Grants, Province of Alberta	$ 13,261,528	$ 6,686,257
Other contributions	1,115,774	723,347
Investment income earned on net assets externally restricted for endowment purposes	304,638	275,265
Transferred to:		
Grants, Province of Alberta	(995,949)	(1,381,721)
Donations	(254,835)	(111,100)
Investment income (Note 17)	(304,638)	(275,265)
Other revenue	(35,088)	-
Endowments	-	(12,987)
Unamortized external capital contributions (Note 11)	(5,664,307)	(7,899,803)
Increase (decrease) during the year	7,427,123	(1,996,007)
Balance relating to operating funding, beginning of year	5,304,872	7,300,879
Balance relating to operating funding, end of year	12,731,995	5,304,872
Deferred contributions relating to unrealized gain (loss) on investments:		
Unrealized gain (loss) on investments, beginning of year, as restated (Notes 3 (c) and 12)	(6,330)	-
Change in unrealized gain (loss) on investments relating to deferred contributions	(303,000)	-
	(309,330)	-
Total balance at end of year	$ 12,422,665	$ 5,304,872

The balances at end of year represent funds held for the following purposes:

	2008	2007
Deferred contributions:		
Scholarships, awards and bursaries	$ 1,884,508	$ 1,403,990
Enrolment planning envelope	2,145,999	617,948
Unrealized gain (loss) on investments allocated to deferred contributions	(309,330)	-
Other	237,680	304,585
	3,958,857	2,326,523
External capital contributions:		
Conditionally funded projects: Buildings	6,316,671	1,762,703
Furniture and equipment	1,448,304	1,176,825
Enrolment planning envelope	698,833	37,750
Endowment earnings	-	1,071
	8,463,808	2,978,349
	$ 12,422,665	$ 5,304,872

Note 9 Pension Costs

The College participates in the Local Authorities Pension Plan which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $2,499,164 for the year ended June 30, 2008 (2007 - $2,411,617).

The College is required to make current service contributions to the Local Authorities Pension Plan of 7.75% of pensionable earnings up to Canada Pension Plan Year's Maximum Pensionable Earnings and 10.64% for the excess. Employees are required to make current service contributions of 6.75% of the Canada Pension Plan Year's Maximum Pensionable Earnings and 9.64% for any portion of the pensionable salary in excess.

Note 10 Debenture and Capital Lease Payable

The College Board received approval of the Lieutenant Governor in Council to borrow funds from the Alberta Capital Finance Authority (the "ACFA"), an authority controlled by the Province of Alberta, to finance the campus residence expansion project. A $6,625,000 debenture (the "debenture") dated February 23, 2001, was issued by the College in favor of ACFA. The debenture is secured by a security agreement dated February 23, 2001 between the College and ACFA pursuant to which the College granted, in favor of ACFA, a security interest in all present and after acquired intangible accounts, monies, book debts, instruments, claims or rights and insurance proceeds related to the residence.

The debenture, bearing interest at the rate of 6.125% per annum, is to be repaid in annual installments of $524,424, principal and interest. The debenture is due March 1, 2027.

The College has entered into a 24 month capital lease agreement for equipment, due in August, 2009. The capital lease is to be repaid in monthly installments of $750, plus interest at 9.08%.

	2008	2007
Debenture payable	$ 5,625,333	$ 5,794,824
Capital lease payable	10,500	-
	5,635,833	5,794,824
Less current portion	188,873	169,491
	$ 5,446,960	$ 5,625,333

Note 10 Debenture and Capital Lease Payable (continued)

The aggregate maturities of principal required over the next five years and to maturity are as follows:

	Debenture	Capital Lease	Total
2009	$ 179,873	$ 9,000	$ 188,873
2010	190,889	1,500	192,389
2011	202,581	-	202,581
2012	214,989	-	214,989
2013	228,157	-	228,157
Thereafter	4,608,844	-	4,608,844
Total payable	$ 5,625,333	$ 10,500	$ 5,635,833

Note 11 Unamortized External Capital Contributions

Unamortized external capital contributions represent the external funds invested in capital assets which will be recognized as revenue in future periods. Changes in the unamortized external capital contributions balance are as follows:

	2008	2007
Balance at beginning of year	$ 40,576,286	$ 35,158,151
Add amount transferred from external capital contributions (Note 8)	5,664,307	7,899,803
Adjustment to prior year amount transferred from external capital contributions	-	(265,040)
Less amount amortized to revenue	(2,827,209)	(2,216,628)
Balance at end of year	$ 43,413,384	$ 40,576,286

Note 12 Net Unrealized Gain (Loss) on Available-for-Sale Investments

	2008			2007
	Endowment Net Assets, recorded in deferred contributions (Note 8)	Other Net Assets	Total	Total
Net unrealized gain (loss) on available-for-sale investments during the year	$ (314,239)	$ (890,915)	$ (1,205,154)	$ -
Net investment loss realized on available-for-sale investments during the year and reported in the Consolidated Statement of Revenue and Expense	11,239	89,639	100,878	-
Decrease during year	(303,000)	(801,276)	(1,104,276)	-
Balance, July 1, 2007 [Notes 2 (b) and 3 (c)]	(6,330)	4,355	(1,975)	-
Net unrealized gain (loss) on available-for-sale investments, end of year	$ (309,330)	$ (796,921)	$ (1,106,251)	$ -

Note 13 Net Assets Internally Restricted

Net assets internally restricted are held for the following purposes:

		Transfers to and from Unrestricted Net Assets		
	Balance at Beginning of Year	Deduct Funds Expended	Add Funds Appropriated	Balance at End of Year
Staff and program development	$ 849,387	$ 287,814	$ 843,483	$ 1,405,056
Foundation general reserve	2,512	904,537	895,630	(6,395)
College funded scholarships endowment earnings	146,358	5,000	13,101	154,459
Other endowment earnings	87,802	32,767	46,533	101,568
Kodiak Team fund	56,849	120,150	109,793	46,492
Other	-	1,257	1,257	-
	1,142,908	1,351,525	1,909,797	1,701,180
Capital replacement	1,615,550	598,245	994,769	2,012,074
	$ 2,758,458	$ 1,949,770	$ 2,904,566	$ 3,713,254

The net transfer from Unrestricted Net Assets for the year ended June 30, 2008 comprises:

Funds returned	$ 1,949,770
Funds appropriated	2,904,566
	$ (954,796)

Note 14 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Endowments comprise the following:

	2008			2007
	Externally Funded	Internally Funded	Total	Total
Ronald Tiffin Agricultural Endowment Fund	$ 1,115,115	$ 369,311	$ 1,484,426	$ 1,446,783
Scholarships	3,840,290	71,704	3,911,994	3,856,575
Kodiak Athletics Fund	212,599	96,975	309,574	299,169
Talbot Education Fund	115,564	55,479	171,043	165,647
Industrial Technology Fund	62,500	39,121	101,621	99,000
Native Canadian Fund	28,200	23,957	52,157	49,639
Environmental Fund	9,104	7,685	16,789	15,979
	$ 5,383,372	$ 664,232	$ 6,047,604	$ 5,932,792

Note 15 Grants

Grant revenue consists of amounts received from the following sources:

	2008		2007
	Budget (Note 23)	Actual	Actual
Alberta Advanced Education	$ 37,469,722	$ 38,153,023	$ 34,233,721
Alberta Infrastructure and Transportation	299,600	325,840	862,543
Other Alberta Government departments	583,382	801,297	631,252
Government of Canada sources	717,183	766,576	341,700
Other sources	128,763	256,543	185,818
	$ 39,198,650	$ 40,303,279	$ 36,255,034

Note 16 Sales, Rentals and Services

Sales, rentals and services revenue and direct expense are summarized as follows:

	2008					2007
		Direct Expense				
	Revenue	Cost of Sales	Other	Total Direct Expense	Net	Net
Sales, rentals and non-ancillary services	$ 1,195,297	$ 595,827	$ -	$ 595,827	$ 599,470	$ 791,040
Ancillary services (Note 18):						
Bookstore	2,711,710	2,054,420	225,737	2,280,157	431,553	421,258
Cafeteria	930,149	564,760	305,100	869,860	60,289	72,859
Residence	1,795,401	-	1,821,798	1,821,798	(26,397)	(216,321)
Parking	524,756	-	201,115	201,115	323,641	288,777
Daycare centre	272,425	-	261,804	261,804	10,621	(15,136)
Physical Education building	196,797	11,179	353,169	364,348	(167,551)	(172,846)
Health services	114,567	-	139,266	139,266	(24,699)	(61,711)
Athletics - special events	31,189	-	34,125	34,125	(2,936)	1,671
	6,576,994	2,630,359	3,342,114	5,972,473	604,521	318,551
	$ 7,772,291	$ 3,226,186	$ 3,342,114	$ 6,568,300	$ 1,203,991	$ 1,109,591

Note 17 Investment Income

	2008	2007
Investment earnings on net assets restricted for endowment purposes (Note 8)	$ 304,638	$ 275,625
Add investment income from other sources	1,107,842	993,439
Total investment income recognized as revenue	$ 1,412,480	$ 1,269,064

Note 18 Expense by Function

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio-visual services. Student services include all scholarships, bursaries and activities or services to the student body of the College. Institutional support includes all activities that provide institution-wide support to other programs.

	2008		2007
	Budget (Note 23)	Actual	Actual
Instruction	$ 28,678,207	$ 28,305,907	$ 29,219,663
Academic support	5,465,961	5,646,229	4,750,681
Student services	3,680,016	4,297,783	4,383,878
Institutional support	13,142,231	10,877,240	11,477,417
Anciliary services (Note 16)	6,383,968	5,972,473	5,966,908
Computer services	5,126,303	4,899,596	3,814,627
Amortization of capital assets	5,316,056	5,506,442	4,753,086
	67,792,742	65,505,670	64,366,260
Less amortization of capital assets - Ancillary services	363,084	348,783	353,890
	$ 67,429,658	$ 65,156,887	$ 64,012,370

Note 19 Salaries and Benefits

	2008					2007	
	Number of Individuals[a]	Base Salary[b]	Other Cash Benefits [c]	Other Non-Cash Benefits [d]	Total	Number of Individuals[a]	Total
Chairman of the Board of Governors	1.0		$ 4,800	$ 44	$ 4,844	1.0	$ 4,964
Board members[e]	9.0		12,520	824	13,344	9.0	20,328
	10.0		17,320	868	18,188	10.0	25,292
President[f]	1.0	180,426	-	19,980	200,406	1.0	185,798
Vice President							
Corporate and International Services	1.0	152,858	7,924	15,213	175,995	1.0	160,188
Vice President							
Academic & Chief Learning Officer	1.0	138,676	3,924	19,980	162,580	1.0	147,319
Executive Director							
Advancement	1.0	138,676	-	20,026	158,702	0.3	51,780
Dean							
Health, Justice & Human Serv	1.0	121,220	4,662	19,346	145,228	1.0	134,256
Dean							
Teaching, Learning & Innovation	1.0	112,735	8,172	18,732	139,639	1.0	114,676
Dean							
Applied Management	0.9	92,998	-	18,411	111,409	1.0	133,512
Dean							
Applied Arts & Sciences	0.6	70,712	5,362	10,561	86,635	1.0	130,651
Vice President							
Enrolment Management	0.2	23,113	327	2,748	26,188	1.0	147,514
Directors/Managers (average: 2008 - $95,085, 2007 - $90,364)	23.8	1,892,163	25,784	345,078	2,263,025	22.4	2,024,164
Other salaried staff: [j]							
Administration (average: 2008 - $79,391 2007 - $82,235)	33.8	2,207,215	48,452	427,758	2,683,425	31.5	2,590,401
Academic (average: 2008 - $89,928 2007 - $90,663)	200.4	15,424,229	8,937	2,588,334	18,021,500	202.2	18,331,993
Support (average: 2008 - $46,370 2007 - $44,474)	243.3	9,441,446	151,710	1,688,710	11,281,866	229.2	10,193,463
Non-salaried staff: [g] [j]							
Academic		4,400,278	-	308,886	4,709,164		3,800,402
Support		1,752,332	5,902	378,871	2,137,105		1,383,110
	509.0	36,149,077	288,476	5,883,502	42,321,055	493.6	39,554,519
Other payroll adjustments:							
Vacation accruals		85,611	-	-	85,611		38,494
Memberships and tuitions		-	-	-	-		(4,034)
Curriculum development costs in progress		(76,567)	-	-	(76,567)		(60,693)
Early Retirement Payments [h]		125,117	-	-	125,117		3,608,298
Great West Life refund [i]		-	-	(316,121)	(316,121)		-
		$ 36,283,238	$ 288,476	$ 5,567,381	$ 42,139,095		$ 43,136,584

Note 19 Salaries and Benefits (continued)

(a) Except for Board members, the number of individuals is expressed as full-time equivalents. The total actual discrete number of individual employees at June 30, 2008 was 1,479 (2007 – 1,463).

(b) Salary includes regular base pay, shift differential, sick-time payments and any other direct cash remuneration.

(c) Other cash benefits include bonuses, overtime, vacation payouts, lump sum payments and honoraria.

(d) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, Employment Insurance, Workers' Compensation, health care, dental coverage, group life insurance, accidental disability and dismemberment, educational sabbaticals, vehicle allowances, professional memberships, club memberships and remission of tuition fees.

(e) Board members include one representative from each of the academic and support staff. This includes their stipends as Board members, while their salaries and benefits as full-time employees are included under other salaried staff.

(f) An executive compensation package includes an automobile provided to the President. The automobile is not included in the value of benefits disclosed on the schedule.

(g) Non-salaried staff comprises individuals who work less than 29 hours per week; benefits consist of contributions to Employment Insurance, Canada Pension Plan and Workers' Compensation. In addition, for continuing employees working more than 15 hours a week, benefits also include health care, dental coverage, group life insurance, accidental death and dismemberment and vacation payouts.

(h) Early retirement payments include all monies paid, directly or on behalf of an employee, upon termination. During the year, an additional amount of $125,117 was added due to salary adjustments for staff under the retirement plan who will be retiring in the subsequent two years. For the year ended June 30, 2008, 12 employees (2007 – 26 employees) retired and were paid $1,158,129 (2007 - $1,024,808). The balance of $1,550,478 will be paid to the remaining 32 employees over the subsequent two years, and is included in accounts payable and accrued liabilities on the statement of financial position.

(i) The College has recognized an amount of $316,121 from Great West Life which represents an accumulation of premiums in excess of amounts claimed. This amount is being held on deposit for future activities of benefit to employees.

(j) Certain positions have been reclassified from non-salaried staff to other salaried staff. The comparative figures for these two categories have been reclassified to conform with the presentation adopted for the current year.

Note 20 Related Party Transactions

(a) The College is a Provincial Corporation as all members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Advanced Education and Technology. Transactions between the College and the Province are described in Notes 4, 8, 10, 15 and 20 (d) to the financial statements.

(b) The College accounts for funds of certain associations and clubs related to College activities through Funds Held on Behalf of Others (Note 21). Certain administrative services are provided without charge to these entities.

Note 20 Related Party Transactions (continued)

(c) During the year, the College engaged the services of, and purchased goods from, organizations that are controlled or significantly influenced by members of its Board. Amounts of any such services were determined through fair and open competition in the normal course of operations. For the year ended June 30, 2008, the value of such goods and services was $2,143 (2007 - $10,810).

(d) During the year, the College engaged the services of, and purchased goods from, entities consolidated within the Government of Alberta. Amounts of any such services were determined through fair and open competition in the normal course of operations. For the year ended June 30, 2008, the value of such goods and services purchased was $538,460 (2007 - $307,390). The value of goods and services provided was $1,701,438 (2007 - $1,207,248).

(e) The College administers a program that permits advances to staff members for the specific purpose of acquiring and maintaining technological currency in computer hardware and software developments. Such advances are repaid over a maximum period of two years at the prescribed interest rate. The balance of advances outstanding as at June 30, 2008 was $11,281 (2007 - $31,525).

Note 21 Funds Held on Behalf of Others

Lethbridge College provides administrative services and administers funds on behalf of other organizations. These amounts are held in trust but are not included in the College's statement of financial position and are summarized as follows:

	2008	2007
Lethbridge College Students Association, clubs and activities	$ 1,167,678	$ 936,022
Chinook Educational Consortium	706,114	627,760
Associated agencies	15,267	24,747
Other agencies	80,500	231,150
Agricultural and research projects	18,664	23,419
	$ 1,988,223	$ 1,843,098

Note 22 Commitments and Contingencies

(a) The College leases facilities and equipment with lease terms up to four years. The minimum operating lease payments for each of the next four fiscal years are as follows:

2009	$ 752,153
2010	368,788
2011	46,498
2012	1,328

(b) During the year, Lethbridge College continued with a major capital project, an administration technology infrastructure upgrade. The College also began three new major projects during the year, a major renovation of the Andrews Building, a fire alarm upgrade and a reporting software project. As at June 30, 2008, the College had commitments in relation to these projects as follows:

	Contract	Expended	Commitments
Technology Infrastructure Upgrade:			
Consulting [i]	$ 5,588,811	$ 5,188,324	$ 400,487
Software and implementation	3,446,891	3,446,891	-
Technology Systems	2,472,404	1,981,135	491,269
	11,508,106	10,616,350	891,756
Andrews Building:			
Building renovations	3,600,997	2,407,837	1,193,160
Asbestos removal	174,895	174,895	-
Consulting and design	218,548	208,986	9,562
	3,994,440	2,791,718	1,202,722
Fire Alarm Upgrade:			
Equipment upgrade	640,395	71,068	569,327
Consulting and design	81,066	59,693	21,373
	721,461	130,761	590,700
Reporting Software Project	273,294	157,588	115,706
Total capital projects	$ 16,497,301	$ 13,696,417	$ 2,800,884

[i] Effective July 1, 2007, the consulting portion of this contract is treated as an operating expense, as the Director of Campus Works has been appointed as Chief Information Officer for the three years ending June 30, 2010.

Note 22 Commitments and Contingencies (continued)

(c) The College, in conduct of its normal activities, is named a defendant in a legal proceeding. While the ultimate outcome of this proceeding cannot be predicted at this time, it is the opinion of the administration that adequate provision for this proceeding has been made in the College's accounts. It is believed that the resolution of the proceeding will not have a material effect on the financial position of the College, however, should any additional loss result from the resolution of this proceeding, such amounts would be expensed as the related amounts become known to the College.

(d) The College has not recognized a liability for certain obligations, primarily special handling for the removal and disposal of asbestos from facilities and equipment, except as related to the Andrews Building renovations. As at June 30, 2008, the College has expended $174,895 [Note 22 (b)] for such removal. The fair value of the remaining obligations, if any, cannot be reasonably estimated as the settlement dates are unknown.

Note 23 Budget

The 2008 budget was approved by the Board of Governors on May 15, 2007 and submitted to the Minister of Advanced Education and Technology on May 31, 2007.

Note 24 Pledges

As at June 30, 2008, outstanding pledges comprise the following:

Endowments	$ 82,160
Comprehensive fundraising campaign	24,000
Aboriginal Transition Program	165,000
Other	65,885
Total	$ 337,045

These amounts have not been recognized as revenue in the financial statements. The pledges are expected to be collected over the next two years as follows:

2009	$ 244,045
2010	93,000
Total	$ 337,045

Note 25 Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statements presentation adopted in the current year.

Note 26 Approval of Consolidated Financial Statements

These consolidated financial statements have been approved by the Board of Governors.

MEDICINE HAT COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2008

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of the Medicine Hat College

I have audited the consolidated statement of financial position of the Medicine Hat College as at June 30, 2008 and the consolidated statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 11, 2008

MEDICINE HAT COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2008

	2008	2007
ASSETS		
Current:		
Cash and cash equivalents (Note 3)	$ 14,882,614	$ 11,448,471
Accounts receivable	1,213,069	788,066
Inventories	211,998	228,303
Prepaid expenses	213,284	245,947
	16,520,965	12,710,787
Investments (Note 3)	17,134,970	9,968,609
Capital assets (Note 4)	54,146,393	47,152,417
	71,281,363	57,121,026
	$ 87,802,328	$ 69,831,813
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 2,138,119	$ 1,585,939
Accrued vacation pay	871,960	777,886
Unearned revenue (Note 5)	924,531	935,820
Deferred contributions (Note 6)	3,568,274	2,725,667
Current portion of long term debt (Note 7)	101,254	95,298
	7,604,138	6,120,610
Construction payables	997,327	760,142
Deferred capital contributions (Note 6)	10,480,346	2,700,401
Long term debt (Note 7)	3,404,733	3,505,987
Unamortized deferred capital contributions (Note 8)	36,174,076	30,975,271
	51,056,482	37,941,801
Net Assets:		
Unrestricted		
Accumulated excess of revenue over expenses	9,631,882	7,663,779
Accumulated net unrealized losses on available for sale financial assets	(258,974)	-
Internally restricted (Note 10)	1,799,000	2,290,000
Invested in capital assets (Note 11)	14,466,330	12,575,861
	25,638,238	22,529,640
Endowments (Note 12)	3,503,470	3,239,762
	29,141,708	25,769,402
	$ 87,802,328	$ 69,831,813

The accompanying notes are part of these consolidated financial statements.

Commitments and contingencies (Note 22)

MEDICINE HAT COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2008

	2008		2007
	Budget (Note 24)	Actual	Actual
Revenue:			
Grants (Note 14)	$ 27,674,100	$ 27,672,061	$ 25,950,155
Tuition and related fees	9,601,800	9,904,146	9,579,743
Sales, rentals and services	3,742,700	3,882,803	3,746,418
Donations (Note 6)	100,000	364,048	123,068
Investment income (Note 15)	650,000	1,102,413	1,046,360
Amortization of deferred capital contributions (Note 8)	1,358,000	1,522,833	1,401,349
	43,126,600	44,448,304	41,847,093
Expense: (Note 16)			
Salaries and benefits (Note 19)	26,885,600	26,325,370	24,698,551
Supplies and services	8,931,000	8,760,207	8,421,163
Utilities	1,038,700	1,220,369	1,095,451
Scholarships and bursaries	270,000	340,725	296,385
Cost of goods sold	1,166,500	1,155,289	1,239,603
Interest on long term debt	225,000	224,100	229,765
Amortization of capital assets	2,980,800	3,054,672	2,906,378
	41,497,600	41,080,732	38,887,296
Excess of revenue over expense	$ 1,629,000	$ 3,367,572	$ 2,959,797

The accompanying notes are part of these consolidated financial statements.

MEDICINE HAT COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	2008						2007
	Unrestricted	Accumulated Net Unrealized Losses on Investments	Internally Restricted (Note 10)	Invested in Capital Assets (Note 11)	Endowments (Note 12)	Total	Total
Excess of revenue over expense	$3,367,572	$ -	$ -	$ -	$ -	$ 3,367,572	$ 2,959,797
Transfers for:							
Acquisition of capital assets	(3,327,011)	-	-	3,327,011	-	-	-
Amortization of capital assets	1,531,840	-	-	(1,531,840)	-	-	-
Repayment of long term debt	(95,298)	-	-	95,298	-	-	-
Internal restrictions - net	491,000	-	(491,000)	-	-	-	-
Accumulated gains and losses included directly in the statement of changes in net assets							
Change in accounting policy(Note 2i)	-	79,526	-	-	-	79,526	-
Decrease in net unrealized loss on investments(Note 9)	-	(338,500)	-	-	-	(338,500)	-
Endowment contributions	-	-	-	-	263,708	263,708	407,922
Increase (decrease) in Net Assets	1,968,103	(258,974)	(491,000)	1,890,469	263,708	3,372,306	3,367,719
Net Assets, beginning of year	7,663,779	-	2,290,000	12,575,861	3,239,762	25,769,402	22,401,683
Net Assets, end of year	$9,631,882	$ (258,974)	$1,799,000	$14,466,330	$3,503,470	$29,141,708	$25,769,402

The accompanying notes are part of these consolidated financial statements.

MEDICINE HAT COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	2008		2007
	Budget (Note 24)	Actual	Actual
Operating activities:			
Excess of revenue over expense	$ 1,629,000	$ 3,367,572	$ 2,959,797
Non-cash transactions:			
Amortization of capital assets	2,980,800	3,054,672	2,906,378
Amortization of deferred capital contributions	(1,358,000)	(1,522,833)	(1,401,349)
	3,251,800	4,899,411	4,464,826
Net changes in non-cash working capital (Note 20)	232,000	1,101,537	449,079
Cash generated through operating activities	3,483,800	6,000,948	4,913,905
Investing activities:			
Acquisition of capital assets	(7,542,600)	(10,048,648)	(5,326,145)
Redemption (purchase) of long-term investments	2,350,000	(7,425,335)	(531,396)
Cash used in investing activities	(5,192,600)	(17,473,983)	(5,857,541)
Financing activities:			
Capital contributions	2,450,000	14,501,583	3,048,449
Construction payables	(835,000)	237,185	(353,598)
Repayment of long term debt	(95,400)	(95,298)	(89,693)
Endowment contributions	100,000	263,708	407,922
Cash generated through financing activities	1,619,600	14,907,178	3,013,080
Increase (decrease) in cash and cash equivalents	(89,200)	3,434,143	2,069,444
Cash and cash equivalents, beginning of year	9,035,110	11,448,471	9,379,027
Cash and cash equivalents, end of year	$ 8,945,910	$ 14,882,614	$ 11,448,471

The accompanying notes are part of these consolidated financial statements.

MEDICINE HAT COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2008

Note 1 Authority and Purpose

Medicine Hat College (MHC) operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, Chapter P-19.5. MHC is exempt from payment of income tax under section 149 of the Income Tax Act.

MHC provides broadly based educational and training programs and services to students and local communities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. The following accounting policies and reporting practices are considered significant.

(a) Consolidated Financial Statements

These consolidated financial statements include the accounts of the Medicine Hat College Foundation. The Foundation operates under part 9 of the Companies Act of Alberta. The Foundation is a registered charity and is exempt from payment of income tax.

(b) Change in Accounting Policy

Effective July 1, 2007 the Canadian Institute of Chartered Accountants (CICA) issued section 3855 of the CICA Handbook, Financial Instruments – Recognition and Measurement; and Section 3861 , Financial Instruments – Disclosure and Presentation. MHC does not use hedge accounting and accordingly, is not impacted by the requirements of Section 3865, Hedges.

Certain transitional adjustments have been recorded in opening unrestricted net assets as of July 1, 2007 for the change in accounting for financial assets classified as available-for-sale and measured at fair value, rather than cost.

Financial assets classified as available-for-sale are measured at fair value with changes in fair value recognized in the Consolidated Statement of Changes in Net Assets, deferred contributions or deferred capital contributions as appropriate until realized, at which time the cumulative changes in fair value are recognized in the Consolidated Statement of Operations.

(b) Change in Accounting Policy (continued)

Upon implementation of the new standards, MHC has classified its significant financial assets and financial liabilities as follows:

- Cash and cash equivalents are classified as held-for-trading, and are recorded at fair value with changes in fair value recorded through the excess or revenue over expense in each period.
- Long term investments are classified as available-for-sale, and are measured at fair value with subsequent gains or losses included in net assets, deferred contributions or deferred capital contributions until the asset is removed from the Consolidated Statement of Financial Position. A transitional adjustment as at July 1, 2007 is outlined in Note 2(i).
- Accounts receivable are classified as loans and receivable. After initial fair value measurement, they are measured at amortized cost.
- Accounts payable, accrued liabilities, and long term debt are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost.

(c) Revenue Recognition

Unrestricted contributions are recognized as revenue in the period they are receivable.

Amounts received for tuition fees, and sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor. Realized and unrealized gains and losses on financial instrument securities attributed to restricted non-capital contributions are recorded in deferred contributions and recognized as income when realized.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested in capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are taken into income, as amortization of deferred capital contributions, in the periods that the related funded capital asset is amortized. Realized and unrealized gains and losses on financial instrument securities attributed to restricted capital contributions are also recorded in deferred capital contributions.

Externally restricted contributions containing stipulations that the amounts should be retained as net assets, or that the contributions should not be expended, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property. Realized and unrealized gains and losses on financial instrument securities attributed to endowments are recorded as deferred contributions and are recognized in the statement of operations when realized.

Contributions of materials and services that would otherwise have been purchased are recorded at fair market value when a fair market value can be reasonably determined.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(d) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the MHC Board of Governors to be used for designated purposes.

(e) Long Term Investments and Investment Income

Investments classified as available for sale are recorded at market value. Investment income includes dividend and interest income and realized gains and losses. Unrealized gains and losses on available for sale financial assets are included directly in net assets, deferred contributions or deferred capital contributions until the asset is removed from the statement of financial position.

(f) Inventories

Inventories held for resale are valued at the lower of cost or net realizable value, with cost determined on a first-in-first-out basis.

(g) Capital Assets

Land transferred to MHC from the City of Medicine Hat, and donated land, are recorded at fair market value at the date of transfer.

Construction in progress includes direct construction, architectural and engineering costs. Construction in progress is not amortized until construction is completed and the assets are ready for productive use.

Amortization is recorded on a straight-line basis over the assets' useful lives, which are as follows:

Buildings and renovations	40 years
Site improvements	25 years
Furniture and equipment	5 to 25 years
Library acquisitions	10 years
Systems planning and development	10 years

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(h) Future Employee Benefits

MHC participates in the Local Authorities Pension Plan (LAPP). This pension plan is a multi-employer defined benefit plan that provides pensions for MHC employees, based upon years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the LAPP pension plan. MHC does not record the College's portion of the pension plan's deficit or surplus.

(i) Financial Instruments

MHC's financial instruments consist of cash and short-term investments, accounts receivable, investments, accounts payable and accrued liabilities, construction payables, and long-term debt. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

The business risks associated with financial instruments are categorized as currency risk (the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates); interest rate risk (the risk that the value of a financial instrument will fluctuate due to changes in market interest rates); and market risk (the risk that the value of a financial instrument will fluctuate as a result of changes in market prices). Through the use of MHC's collection procedures, investment guidelines and other internal policies, guidelines and procedures, it is management's opinion that MHC is not exposed to significant currency, interest or market risks arising from these financial instruments.

All MHC financial assets and liabilities will be recorded on the consolidated statement of financial position at fair value. MHC's cash and cash equivalents will be classified as held for trading. The long term investments will be classified as available for sale. As a result of the new standard MHC recorded an increase to unrestricted net assets of $94,408 (of which $79,526 relates to unrestricted college investments and $14,882 relates to deferred contributions) on July 1, 2007 to account for financial assets classified as available for sale and measured at fair value rather than cost.

As permitted, MHC has elected to exclude from the scope of Section 3855, "Financial Instruments, Recognition and Measurement", non-financial contracts or derivatives embedded in non-financial contracts, leases, and insurance contracts.

Note 3 **Cash, Cash Equivalents and Investments**

	2008				2007	
	Cash and Cash Equivalents	Investments	Market Value	Total Cost	Market Value	Total Cost
Cash on hand	$ 9,100	$ -	$ 9,100	$ 9,100	$ 9,100	$ 9,100
Bank balances	9,778,550		9,778,550	9,778,550	11,439,371	11,439,371
Term deposits	5,094,964	6,905,036	12,000,000	12,000,000	-	-
Money market	-	308,461	308,461	308,461		
Bond fund	-	7,410,034	7,410,034	7,600,826	7,314,606	7,593,700
Canadian equity fund	-	1,438,714	1,438,714	1,428,194	1,781,666	1,444,034
Foreign equity fund	-	1,072,725	1,072,725	1,256,097	967,124	930,875
	$ 14,882,614	$ 17,134,970	$ 32,017,584	$ 32,381,228	$ 21,511,867	$ 21,417,080

The Board of Governors has an approved investment policy covering both short and long-term investments of MHC. The primary investment objectives, in order of priority, are as follows:

a) Preservation of invested capital amounts.
b) Provision of stable and predictable returns.
c) Maximization of return on invested capital amounts.

Major points in the MHC investment policy are as follows:

a) Investments in cash equivalent securities must have a rating equal to or higher than "R1" or "A1".
b) Investments in fixed income securities must have a rating equal to or higher than "R1" or "A1", with the exception that up to 20% of the fixed income securities can be invested in "BBB-rated" bonds or "R1 low" rated paper.
c) Investment in corporate fixed income securities cannot exceed 50% of the externally managed portfolio.
d) Investment in any single corporate fixed income security cannot exceed 10% of the value of all corporate fixed income security holdings.
e) Investment in any single fixed income security cannot exceed 10% of the value of all investment funds, unless the security is issued or secured by the Government of Canada or a province of Canada.
f) Investment in equities cannot exceed 30% of the externally managed portfolio.
g) Except as noted above, all investments must be issued or fully secured by a chartered bank of Canada, by the Treasury Branch of Alberta, by an Alberta credit union backed by the Province of Alberta, or by the Federal Government or by any Provincial government of Canada.

Note 3 **Cash, Cash Equivalents and Investments** (continued)

The Bond Fund, Canadian Equity Fund and Foreign Equity Fund are held in pooled trust accounts that are managed by an external third party. The three pooled accounts are regulated within the guidelines set out in MHC's investment policy. Due to the conservativeness of the policy, management feels the business risk associated with these pooled funds is not significant.

The effective annual rate of earnings on long-term investments owned by MHC at June 30, 2008 was 4.45% (2007 – 5.57%) determined on a weighted average basis. Bank deposits held at June 30, 2008 were earning prime less 1.75% (Bank deposits 2007 – prime less 1.60%). Term deposits held at June 30, 2008 were earning 3.94%. Securities classified as cash and cash equivalents will mature in less than one year.

Note 4 Capital Assets

	2008			2007
	Cost & Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,553,000	$ -	$ 1,553,000	$ 1,553,000
Buildings and renovations	66,616,311	27,894,537	38,721,774	37,180,209
Site improvements	7,609,767	7,033,635	576,132	614,623
Furniture and equipment	11,726,132	6,690,174	5,035,958	4,367,208
Library acquisitions	4,798,762	3,575,884	1,222,878	1,134,028
Systems planning and development	558,210	349,887	208,323	265,694
Construction in progress	6,828,328	-	6,828,328	2,037,655
	$ 99,690,510	$ 45,544,117	$ 54,146,393	$ 47,152,417

Capital acquisitions during the year included certain gifts-in-kind with a fair value of $94,559 (2007 - $Nil)

Note 5 Unearned Revenue

	2008	2007
Tuition and related fees	$ 911,499	$ 921,782
Other	13,032	14,038
	$ 924,531	$ 935,820

Note 6 Deferred Contributions and Deferred Capital Contributions

Deferred contributions represent amounts received that have not been spent and are externally restricted. The balance will be recognized as revenue in future periods.

Deferred Contributions relating to operating funding	2008	2007
Contributions received and receivable:		
Grants	$ 18,882,308	$ 7,640,191
Donations	1,304,585	502,868
Investment income on endowments (Note 15)	122,072	165,878
	20,308,965	8,308,937
Transferred to revenue:		
Grants	(4,425,760)	(4,562,390)
Donations	(364,048)	(123,068)
Investment income (Note 15)	(122,072)	(165,878)
	(4,911,880)	(4,851,336)
Transferred to:		
Unamortized deferred capital contributions (Note 8)	(6,721,638)	(2,935,024)
Endowments	(958)	(205)
	(6,722,596)	(2,935,229)
Increase (decrease) during the year from operating funding	8,674,489	522,372
Deferred Contributions and Deferred Capital Contributions relating to operating funding, beginning of year	5,426,068	4,903,696
Deferred Contributions and Deferred Capital Contributions from operating funding, end of year	$ 14,100,557	$ 5,426,068
Deferred contributions relating to unrealized gain/loss on investments		
Change in accounting policy, beginning of year (Note 2i)	14,882	-
Change in unrealized loss on investments relating to deferred contributions and deferred capital contributions(Note 9)	(117,749)	-
Reclassification adjustment for losses included in investment income	50,930	-
Unrealized loss on investments related to donations & deferred capital	(51,937)	-
Deferred Contributions and Deferred Capital Contributions, end of year	$ 14,048,620	$ 5,426,068
The balance consists of funds restricted for:		
Deferred Contributions:		
Program delivery	$ 1,228,469	$ 1,222,952
Scholarships	470,633	463,846
Other designated purposes	1,869,172	1,038,869
	3,568,274	2,725,667
Deferred Capital Contributions:		
Capital Projects	10,480,346	2,700,401
Deferred Contributions and Deferred Capital Contributions, end of year	$ 14,048,620	$ 5,426,068

Note 7 Long Term Debt

Pursuant to a security agreement entered into with the Alberta Capital Finance Authority (formerly known as Alberta Municipal Financing Corporation) on May 1, 2002, MHC borrowed $4,000,000. The funds were used to finance the construction of new student housing at both the Medicine Hat and Brooks campuses. The borrowing of these funds was approved through an "Order In Council" by the Lieutenant Governor on February 6, 2002.

The debenture bears interest at 6.25% per annum, it is to be repaid in twenty-five (25) consecutive annual installments of $320,378, principal and interest, commencing May 1, 2003 and maturing on May 1, 2027. The debenture is secured by a security interest in certain specific property.

	2008	2007
Debenture Payable		
Current Portion	$ 101,254	$ 95,298
Non-current Portion	3,404,733	3,505,987
	$ 3,505,987	$ 3,601,285

Principal payments due during the next five fiscal years are as follows:

2008 - 2009	$ 101,254
2009 - 2010	107,583
2010 - 2011	114,307
2011 - 2012	121,451
2012 - 2013	129,041
Thereafter	2,932,351
	$ 3,505,987

Note 8 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets, which will be recognized in revenue, as amortization of deferred capital contributions, in future periods as the related funded assets are amortized.

	2008	2007
Balance, beginning of year	$ 30,975,271	$ 29,441,596
Add amount transferred from deferred capital contributions (Note 6)	6,721,638	2,935,024
Less amount amortized to revenue	(1,522,833)	(1,401,349)
Balance, end of year	$ 36,174,076	$ 30,975,271

Note 9 Net Unrealized Gain (Loss) on Available for Sale Investments

	2008	2007
Net unrealized losses on available for sale investnments arising during the year	(499,738)	-
Reclassification adjustment for gain and losses included in excess of revenue over expenses	43,489	-
Decrease in unrealized losses on available for sale investments	(456,249)	-
Balance July 1, 2007 - Change in accounting policy(Note 2i)	94,408	-
Balance net unrealized gain (loss), end of year	(361,841)	-

	Unrestricted Investments	Deferred Contributions	Total 2008	Total 2007
Balance, July 1, 2007	79,526	14,882	94,408	-
Decrease during year	(338,500)	(117,749)	(456,249)	-
Total	(258,974)	(102,867)	(361,841)	-

Note 10 Net Assets Internally Restricted

Internally restricted net assets represent amounts set aside by the MHC Board of Governors to be used for the following purposes. These amounts are not available for other purposes without the approval of the Board.

	2008	2007
Non-Capital:		
Contingency	$ 1,500,000	$ 1,000,000
Capital:		
Computers and Technology	100,000	-
Ancillary Services - Student Residence and related parking	199,000	500,000
Ancillary Services - Parking	-	790,000
	299,000	1,290,000
	$ 1,799,000	$ 2,290,000

Note 11 Net Assets Invested in Capital Assets

	2008	2007
Investment in capital assets	$ 54,146,393	$ 47,152,417
Outstanding capital financing	(3,505,987)	(3,601,285)
Unamortized deferred capital contributions	(36,174,076)	(30,975,271)
	$ 14,466,330	$ 12,575,861

Note 12 Endowments

Endowments consist of externally restricted donations to MHC, the principal of which is required to be maintained intact in perpetuity. The investment income generated from the endowments must be used in accordance with the various purposes established by the donors.

Note 13 Ancillary Services

Included in Sales, rentals and services are ancillary service operations whose revenue and expenses are as follows:

	2008			2007
	Revenue	Expense	Net	Net
Bookstore	$ 1,625,440	$ 1,432,959	$ 192,481	$ 192,141
Cafeteria	152,816	68,746	84,070	60,343
Student residence	1,234,087	1,230,687	3,400	4,769
Parking	192,114	56,471	135,643	131,180
	$ 3,204,457	$ 2,788,863	$ 415,594	$ 388,433

Expense includes direct costs and related amortization.

Note 14 Related Parties

All members of the MHC Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology.

Transactions in the current period between MHC and the Province were as follows:

	2008			2007
	Received and Receivable	Deferred Contributions and UDCC [1]	Revenue	Revenue
Grants from Related Parties				
Alberta Advanced Education and Technology	$ 41,118,212	$ (14,386,660)	$ 26,731,552	$ 23,919,731
Alberta Infrastructure and Transportation	-	-	-	400,000
Other Alberta Government Departments	478,031	657	478,688	461,892
	41,596,243	(14,386,003)	27,210,240	24,781,623
Grants from Other Sources	663,853	(202,032)	461,821	1,168,532
Total Grants	$ 42,260,096	$ (14,588,035)	$ 27,672,061	$ 25,950,155

(1) UDCC refers to Unamortized Deferred Capital Contributions.

As at June 30, 2008, the accounts receivable balance included an amount due from related parties of $241,392 (2007 - $143,096). As at June 30, 2008, the accounts payable balance included an amount due to related parties of $52,109 (2007 - $Nil).

During the year, MHC conducted business transactions with other public colleges and universities. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations, but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

Note 15 Investment Income

	2008	2007
Investment income on endowments (Note 6)	$ 122,072	$ 165,878
Investment income on other sources	980,341	880,482
Total investment income recognized as revenue	$ 1,102,413	$ 1,046,360

Note 16 Expense by Function

	2008	2007
Instruction General	$ 18,016,102	$ 17,404,066
Instruction Collaborative Degrees	789,595	757,223
Academic support	2,998,095	2,728,026
Student services	4,521,423	3,732,058
Institutional support	3,470,477	3,444,273
Facility operations & maintenance	6,931,039	6,793,839
Ancillary services	2,788,863	2,782,314
Computing services	1,565,138	1,245,497
	$ 41,080,732	$ 38,887,296

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audiovisual services. Student services include all activities or services to the student body of the institution. Institutional support includes all activities that provide institution wide support to other programs.

Note 17 Pension Costs

MHC participates in a multiemployer pension plan – Local Authorities Pension Plan (LAPP). The pension expense recorded in these financial statements is equivalent to the MHC annual contributions payable to the plan of $1,503,394 for the year ended June 30, 2008 (2007 - $1,369,808).

At December 31, 2007, the LAPP reported a deficiency of $1,183,334,000 (2006 – deficiency of $746,651,000). The plan kept contribution rates unchanged from 2006 rates.

Note 18 Funds Held on Behalf of Others

MHC holds certain funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements. At June 30, the respective funds held on behalf of others were as follows:

	2008	2007
Further Education Council	$ 62,945	$ 31,869
Students' Association	74,999	65,982
Faculty Association	10,224	9,830
Conservatory Groups	45,556	41,871
Senior Business Officers Development Fund	-	884
Homestay fees from international students	145,200	184,800
	$ 338,924	$ 335,236

Note 19 Salaries and Benefits

The Treasury Board's Salary and Benefits Disclosure Directive requires MHC to disclose certain salaries and benefits. Those salaries and benefits are as follows:

	2008				2007
	Base Salary (1)	Other Cash Benefits (2)	Other Non-cash Benefits (3)	Total	Total
Chairman of Board	$ -	$ 3,975	$ 117	$ 4,092	$ 4,423
Board (10 members)	-	18,000	465	18,465	16,745
President/CEO	179,528	-	47,434	226,962	218,108
Vice-President Academic	150,000	-	10,679	160,679	159,128
Vice-President, Student & External Relations(4)	90,353	-	17,129	107,482	-
Vice-President Corporate Services(5)	127,903	-	3,759	131,662	139,342
Dean, Arts	106,929	-	18,283	125,212	120,969

Note 19 Salaries and Benefits (continued)

1) Base Salary includes pensionable base pay.
2) Other Cash Benefits include bonuses, overtime, vacation payouts, other lump sum payments and honoraria where applicable.
3) Other Non-cash Benefits include the employer's share of all other employee benefits and contributions or payments made on behalf of employees including pension, health care, dental, group life insurance, employment insurance, remission of tuition fees, educational leave and car allowances.
4) Vice President, Student and External Relations position was created on July 1, 2007. This salary and benefit represents from when the position was filled on October 1, 2007.
5) Vice President, Corporate Services salary and benefit covers the period of July 1, 2007 to May 31, 2008. The position was vacant for June 2008.

Note 20 Changes in Non-Cash Working Capital

	2008	2007
Accounts receivable	$ (425,003)	$ (922)
Inventories	16,305	44,527
Prepaid expenses	32,663	34,202
Accounts payable and accrued liabilities	552,180	(282,434)
Accrued vacation pay	94,074	114,019
Unearned revenue	(11,289)	130,740
Deferred contributions	842,607	408,947
	$ 1,101,537	$ 449,079

Note 21 Capital Fundraising Project

The following is the status of the Foundation's fundraising as it relates to major capital projects:

	Actual			Project
	Pre-2007	2008	Total	Target
Power Engineering Project:				
Donations received	$ 709,489	$ 775,280	$ 1,484,769	
Grants received by Medicine Hat College from Alberta Infrastructure and Advanced Education & Technology	1,869,110	3,907,607	5,776,717	
	$ 2,578,599	4,682,887	7,261,486	
Pledges Receivable				
Unconditional		131,130	131,130	
		$ 4,814,017	$ 7,392,616	$ 8,929,200
Percent of Actual to-date to total Project Budget			83%	
Alumni Hall Project:				
Donations received	$ 308,955	$ 53,963	$ 362,918	
Grants received by Medicine Hat College from Advanced Education & Technology	250,000	51,662	301,662	
	$ 558,955	105,625	664,580	
Pledges Receivable				
Unconditional		166,000	166,000	
		$ 271,625	$ 830,580	To be established
Percent of Actual to-date to total Project Budget			N/A	

The estimated realizable value of pledges receivable at June 30, 2008 was $297,130 (2007 - $949,030). These pledges are expected to be honoured over the next 3 years and are not recorded as income or assets in these financial statements. The pledge information is presented for information purposes only.

Note 22 Commitments and Contingencies

(a) During the 2008 fiscal year MHC completed phase two of the S Wing & L Wing renovations. Projects started during the year included a power engineering building, reworking of the roadway entrance and some parking lots, and the implementation of a new student information system. Projects that are in the early stages of design are the F-Wing renovation and expansion, the Visual Communications building and an addition to the Heavy Equipment Tech Lab.

In relation to the above projects, as at June 30, 2008, MHC had contractual commitments of $8,176,014 (2007 - $2,126,000). This amount has not been recorded in the financial statements.

(b) MHC has identified asset retirement obligations for which fair value cannot be reasonably estimated due to the indeterminate timing and scope of the asset retirement. The asset retirement obligation for these assets will be recorded in the period in which there is sufficient information to estimate fair value.

Note 23 Comparative Figures

Certain June 30, 2007 figures have been reclassified to conform to the current year presentation.

Note 24 Budget

The original budget was approved by the MHC Board of Governors at their regular meeting on May 15, 2007.

Note 25 Approval of Consolidated Financial Statements

These consolidated financial statements were approved by the MHC Board of Governors.

MOUNT ROYAL COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2008

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Mount Royal College

I have audited the consolidated statement of financial position of Mount Royal College as at June 30, 2008 and the consolidated statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
October 3, 2008

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2008
(thousands of dollars)

	2008	2007
ASSETS		
Current:		
Cash and cash equivalents (Note 3)	$ 46,979	$ 42,805
Accounts receivable	4,614	4,031
Inventories (Note 5)	657	778
Prepaid expenses	1,680	1,210
	53,930	48,824
Long term receivable (Note 4)	6,197	-
Long term investments (Note 3)	78,932	65,268
Capital assets (Note 6)	171,570	178,932
	$ 310,629	$ 293,024
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 9,227	$ 8,211
Deferred revenues	5,552	6,058
Accrued vacation pay	5,653	4,925
Deferred contributions (Note 7)	19,349	11,338
Current portion of long-term liabilities (Note 9)	2,190	1,399
	41,971	31,931
Unamortized deferred capital contributions (Note 10)	124,358	129,608
Long-term deferred contributions (Note 7)	8,243	12,298
Deferred capital contributions (Note 8)	12,336	4,935
Long-term liabilities (Note 9)	43,515	44,634
	230,423	223,406
Net assets:		
Unrestricted Net Assets		
Cumulative excess of revenue over expense	674	512
Cumulative net unrealized gains on investments (Note 3)	1,720	-
Internally restricted (Note 12)	31,600	22,764
Investment in capital assets	16,431	17,964
Endowments (Note 11)	29,781	28,378
	80,206	69,618
	$ 310,629	$ 293,024

The accompanying notes are part of these consolidated financial statements.

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008

(thousands of dollars)

	2008	2007
Revenue:		
Grants	$ 74,524	$ 65,431
Tuition and related fees	35,432	31,772
Community programs	21,692	20,303
Sales, rentals and services	22,254	19,916
Investment income (Note 13)	6,539	4,457
Donations and contributions	2,162	2,170
Gain on disposal of capital assets	827	-
Earned capital contributions (Note 10)	6,432	7,362
	169,862	151,411
Expense (Note 16):		
Salaries and benefits (Note 17)	106,432	94,678
Supplies and services	32,306	26,707
Cost of goods sold	5,640	4,926
Utilities	5,434	5,179
Scholarships and bursaries	2,407	1,882
Loss on disposal of capital assets	-	84
Amortization of capital assets	10,178	11,311
	162,397	144,767
Excess of revenue over expense	$ 7,465	$ 6,644

The accompanying notes are part of these consolidated financial statements.

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

(thousands of dollars)

	2008					2007
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 12)	Investment in Capital Assets	Endowments (Note 11)	Total	Total
Excess of revenue over expense	$ 7,465	$ -	$ -	$ -	$ 7,465	$ 6,644
Transfer to internally restricted	(10,439)	10,439	-	-	-	-
Internally funded:						
Acquisition of capital assets	(1,542)	(1,603)	3,145	-	-	-
Repayment of debt	(1,082)	-	1,082	-	-	-
Amortization and gain on disposal of capital assets	5,760	-	(5,760)	-	-	-
Contributions to endowments	-	-	-	1,403	1,403	3,267
Increase (decrease) in net assets	162	8,836	(1,533)	1,403	8,868	9,911
Balance, beginning of year	512	22,764	17,964	28,378	69,618	59,707
Balance, end of year	674	31,600	16,431	29,781	78,486	69,618
Cummulative unrealized gains and losses on investments (Note 3)	1,720	-	-	-	1,720	-
Balance, end of year	$ 2,394	$ 31,600	$ 16,431	$ 29,781	$ 80,206	$ 69,618

The accompanying notes are part of these consolidated financial statements.

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

(thousands of dollars)

	2008	2007
Operating Activities:		
Excess of revenue over expense	$ 7,465	$ 6,644
Non-cash transactions:		
Amortization of capital assets	10,178	11,311
(Gain) loss on disposal of capital assets	(827)	84
Earned capital contributions (Note 10)	(6,432)	(7,362)
Unrealized gain on restricted investments (Note 7)	(1,187)	-
Employee leave balance	446	136
	9,643	10,813
Net change in non-cash working capital (Note 15)	8,317	3,793
Cash generated from operating activities	17,960	14,606
Investing Activities:		
Acquisition of capital assets:		
From internal funds	(3,145)	(3,810)
From capital contributions	(1,182)	(2,938)
Proceeds on the disposal of assets	2,841	-
Disposal of investments, net	(10,757)	(6,946)
(Decrease) increase in long-term deferred contributions	(4,055)	11,492
Cash used for investing activities	(16,298)	(2,202)
Financing Activities:		
(Increase) in long term receivable	(6,197)	-
Proceeds from long-term liabilities	-	13,000
Repayment of long-term liabilities	(1,275)	(1,023)
Contributions to endowments	1,403	3,267
Capital contributions	8,581	2,292
Cash generated from financing activities	2,512	17,536
Increase in cash and cash equivalents	4,174	29,940
Cash and cash equivalents, beginning of year	42,805	12,865
Cash and cash equivalents, end of year	$ 46,979	$ 42,805

The accompanying notes are part of these consolidated financial statements.

Note 1 Authority

Mount Royal College (the "College") operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, Chapter P-19.5. The College's vision is creating exceptional learning experiences for a world of possibilities. The College is a registered charity under Section 149 of the Income Tax Act and is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

(a) General and Use of Estimates

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. The following accounting policies and reporting practices are considered significant.

(b) Change in Accounting Policy

Effective July 1, 2007, the College implemented new financial instrument standards as described in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement; and Section 3861 – Financial Instruments – Disclosure and Presentation. The College does not use hedge accounting and accordingly, is not impacted by the requirements of Section 3865, Hedges. As permitted for Not-for-Profit Organizations, the College has elected not to apply the standards for embedded derivatives (elements of contracts whose cash flows move independently from the host contract) in non-financial contracts.

Certain transitional adjustments have been recorded in opening net assets and deferred contributions as of July 1, 2007 (transitional date) for the change in accounting for financial assets classified as available-for-sale and measured at fair value, rather than cost, as at the commencement of the current fiscal year.

Financial assets classified as available-for-sale are measured at fair value with changes in fair values recognized in the Consolidated Statement of Changes in Net Assets or deferred contributions as appropriate until realized, at which time the cumulative changes in fair value are recognized in the Consolidated Statement of Operations.

Upon implementation of the new standards the College has classified cash, short-term investments and long-term investments as available-for-sale, and are measured at fair value with subsequent gains or losses included in net assets or deferred contributions until the asset is removed from the consolidated statement of financial position. A transitional adjustment as at July 1, 2007 is outlined in Note 3.

(c) Consolidated Statements

The financial statements are prepared on a consolidated basis and include the amounts of the following entities:

Note 2 Significant Accounting Policies and Reporting Practices (Continued)

(c) Consolidated Statements (continued)

(i) The Mount Royal College Foundation incorporated under part 9 of the Companies Act of Alberta on March 26, 1991

(ii) The Mount Royal College Day Care Society incorporated under the Societies Act of Alberta

(d) Revenue Recognition

Operating grants, including those from the Province of Alberta, are recognized as revenue in the period receivable. If a portion of a grant relates to a future period, that portion is deferred and recognized in the subsequent period.

Capital grants, including those from the Province of Alberta, are recorded as deferred contributions until they are invested in capital assets. Amounts invested, representing funded capital assets and contributions of property, are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned capital contributions revenue in the period when the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the earned capital contributions revenue are matched to indicate that the related amortization expense has been funded externally.

Unrestricted cash donations are recognized as revenue in the period received. Donations of goods and services, which would otherwise have been purchased by the College, are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions, including restricted investment income on endowment net assets, are deferred and then recognized as revenue in the period when the related expense or performance is incurred. Unrealized gains and losses on available-for-sale securities attributed to endowment net assets are also recorded in deferred contributions. Externally restricted contributions can only be used for the designated purposes. Externally restricted contributions containing stipulations that they should be retained as net assets or that they should not be expended are recorded as a direct increase in net assets. Such contributions include contributions made for endowment purposes or those to be used to acquire non-amortizable property.

Unrealized gains and losses on available-for-sale securities attributed to other net assets are recorded in the consolidated statement of changes in net assets, and are recognized in the statement of operations when realized. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Other unrestricted investment income is recognized as revenue when earned.

Tuition fees and sales of goods and services are deferred and then recognized as revenue in the period when the services are provided or the goods are sold. Revenue from contracts is recognized using the percentage of completion method and is recognized within community programs revenue.

Note 2 Significant Accounting Policies and Reporting Practices (Continued)

(e) Inventories

Inventory values are based upon the first in first out method and presented at the lower of cost or net realizable value.

(f) Investments

Investments are classified as available-for sale and are recorded at market value.

(g) Financial Instruments

The carrying value of cash, receivables, payables and accruals approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of investments is market value.

The carrying value of financial assets and financial liabilities are considered to be fair value unless otherwise disclosed.

Financial instruments of the College are exposed to credit risk, interest rate risk, foreign exchange risk and market risks. The College's accounts receivable are due from a diverse group of customers and are subject to normal credit risk. The interest rate risk is the risk to the College's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates. The foreign exchange risk is the risk of rising costs related to purchase transactions in United States currency. The market risk is the risk to the College's earnings that arises from the fluctuation and the degree of volatility in the market value of its long-term investments. Each of these risks is limited by the College through its collection procedures, investment policy, and other internal policies and procedures.

(h) Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at fair value. Capital assets under construction are not amortized until construction is completed and the assets are ready for productive use.

Capital assets are amortized on a straight-line basis as follows:

Site improvements	20 - 40 years
Buildings	25 - 40 years
Leasehold improvements	5 - 15 years
Furnishings and equipment	3 - 10 years
Computer equipment	3 - 5 years

Library acquisitions are amortized on a declining balance basis at a rate of 10%. Construction in progress includes direct construction costs, architectural costs, and engineering costs and interest on related debt. Interest costs are capitalized until the asset is substantially complete.

Note 2 Significant Accounting Policies and Reporting Practices (Continued)

(i) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

The College maintains supplemental pension plans for some of its current and past Senior Executives. These plans provide defined benefit and defined contribution pension benefits for the members of the supplemental plans.

Pension costs included in these consolidated financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plans. The College's portion of the pension plan deficits or surpluses are not recorded by the College.

Note 3 Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments are recorded at market value, with unrealized gains or losses recorded in deferred contributions or unrestricted net assets. Market value is based upon the quoted market price of the securities.

	2008			2007		
	Cost Base	Unrealized Gain/Loss	Market Value	Cost Base	Unrealized Gain/Loss	Market Value
Cash and cash equivalents	$ 46,979	$ -	$ 46,979	$ 42,805	$ 9	$ 42,814
Federal, Provincial and Municipal Bonds	19,153	221	19,374	21,195	(304)	20,891
Corporate Bonds	17,710	(286)	17,424	13,678	(234)	13,444
Equities - Canadian	20,076	5,080	25,156	13,745	8,720	22,465
Equities - International	19,086	(2,108)	16,978	16,650	2,754	19,404
	123,004	2,907	125,911	108,073	10,945	119,018
Held as long-term investments	76,025	2,907	78,932	65,268	10,936	76,204
Held as cash and short-term investments	$ 46,979	$ -	$ 46,979	$ 42,805	$ 9	$ 42,814

The amount held as long-term investments represents funds not available for current operations and includes endowments, deferred contributions externally restricted for capital or specific purposes, and net assets internally restricted for capital purposes, as outlined below. The long-term portion at any time will equal or exceed the restricted obligations. For the 2008 fiscal year, long-term investments exceeded the restricted obligation. As such there was no restriction on cash and cash equivalents.

Note 3 Cash, Cash Equivalents and Investments (Continued)

	2008	2007
Endowments (Note 11)	$ 29,781	$ 28,378
Long-term deferred contributions (Note 7)	8,243	12,298
Deferred capital contributions (Note 8)	12,336	4,935
Internally restricted net assets, capital (Note 12)	22,634	10,971
Total restricted long-term	72,994	56,582
Unrestricted long-term	3,031	8,686
Total long-term cash and ivestments	$ 76,025	$ 65,268

The overall rate of return on cash and investments for the year was 7.2% (2007: 10.3%). The cash and cash equivalents and bond funds maturities and effective yields are as follows:

	2008								2007	
	Less than 1 year	Effective Yield	1 to 5 Years	Effective Yield	Over 5 Years	Effective Yield	Total	Effective Yield	Total	Effective Yield
Cash and cash equivalents	$ 46,979	3.89%	$ -		$ -		$ 46,979	3.89%	$ 42,805	3.84%
Federal, Provincial and Municipal bonds			5,858	4.37%	13,295	4.31%	19,153	4.32%	21,195	4.57%
Corporate Bonds			6,639	5.62%	11,071	5.54%	17,710	5.56%	13,678	5.35%
	$ 46,979		$ 12,497		$ 24,366		$ 83,842		$ 77,678	

The College Board of Governors (the "Board") has approved an investment policy. The Board's Audit and Finance Committee has been delegated by the Board of Governors the authority for the oversight of the College's investments. The primary investment objective is to maintain the level of distribution from invested funds while preserving capital in real (inflation adjusted) terms over the long term. The Board provides guidelines on asset mix, diversification, quality and nature of securities, and terms of fixed income. The Audit and Finance Committee periodically reviews the performance of the investment managers to ensure they are in compliance with the investment objectives and policies of the College.

Note 3 Cash, Cash Equivalents and Investments (Continued)

	2008
Net unrealized gain on investments available-for-sale July 1, 2007	$ 10,945
Net unrealized (losses) on available-for-sale investments arising during the year	(6,222)
Net investment (gains) realized on available-for-sale investments during the year and reported in the statement of operations	(1,816)
Decline in value of equity investments that is other than temporary and reported in the statement of operations	-
Net unrealized gains on available-for-sale investments June 30, 2008	$ 2,907

	2008		
	Unrealized gain recorded in deferred contributions (Note 7)	Unrealized gain recorded in unrestricted net assets	Total
Net unrealized gain on investments available-for-sale July 1, 2007	$ 4,469	$ 6,476	$ 10,945
Decrease during year	(3,282)	(4,756)	(8,038)
Net unrealized gains on available-for-sale investments June 30, 2008	$ 1,187	$ 1,720	$ 2,907

Note 4 Long Term Receivable

The College and the Student's Association of Mount Royal College (SAMRC) entered into an agreement to finance the expansion of the SAMRC's Wyckham Student Centre facilities on campus. The College borrowed the sum of $13 million for this purpose (Note 9). Progress payments for the construction of the Wyckham Student Centre expansion project have generated a receivable at June 30, 2008 of $6,197.

Note 5 Inventories

	2008	2007
Bookstore	$ 600	$ 717
Recreation	14	16
Printing	25	34
Smart Card	6	5
Food services	12	6
	$ 657	$ 778

Note 6 Capital Assets

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and mineral rights	$ 6,833	$ 2	$ 6,831	$ 6,831
Site improvements	15,366	3,597	11,769	12,247
Buildings	206,340	68,262	138,078	143,551
Furnishings and equipment	51,653	39,060	12,593	13,972
Library acquisitions	4,648	2,442	2,206	2,161
Leasehold improvements	2	1	1	1
Construction in progress	92	-	92	169
	$ 284,934	$ 113,364	$ 171,570	$ 178,932

The net gain on disposal of capital assets in the year was $ 827 (2007: a net loss of $84).

Capital assets include assets under capital leases with a cost of $1,871 and accumulated amortization of $892 (2007: $1,460 and $587 respectively).

Capital asset additions include donated assets recorded as gifts in kind of $82 (2007: $439).

For assets classified as construction in progress, no interest was capitalized in 2008 or 2007.

Note 7 Deferred Contributions

Deferred contributions are restricted contributions, which have been received but relate to expenses of future periods.

	2008	2007
Deferred contributions related to operating funding		
Contributions received during the year:		
Grants	$ 9,170	$ 16,633
Donations and other contributions	4,258	7,179
Investment Income	2,049	921
Transferred to revenue:		
Grants	(5,127)	(2,015)
Investment income (Note 13)	(2,049)	(921)
Donations and contributions	(4,355)	(4,371)
Transferred to unamortized deferred capital (Note 10)	(1,177)	(2,135)
Increase during the year related to operating funding	2,769	15,291
Balance related to operating funding, beginning of year	23,636	8,345
Balance related to operating funding, end of year	26,405	23,636
Unrealized gain on investment related to deferred contributions:		
Unrealized gain on investments, beginning of year (Note 3)	4,469	-
Change in unrealized gain on investments related to deferred contributions	(3,282)	-
Unrealized gain on investments, end of year	1,187	-
Net deferred contributions, end of year	$ 27,592	$ 23,636

Unspent amounts at the end of the year are restricted for the following purposes:

	2008	2007
Current:		
Program support and scholarships	$ 3,187	$ 5,984
Conditionally funded programs	4,550	2,530
Maintenance and repairs	10,425	2,824
Change in unrealized gain on investments related to deferred contributions	1,187	-
	19,349	11,338
Long-term:		
Special purpose program funding	8,243	12,298
	$ 27,592	$ 23,636

Note 8 Deferred Capital Contributions

	2008	2007
Contributions received during the year:		
Restricted investment income	$ -	$ 17
Donations and other contributions	7,406	140
	7,406	157
Transferred to unamortized deferred capital contributions (Note 10)	(5)	(803)
Increase (decrease) during the year	7,401	(646)
Balance, beginning of the year	4,935	5,581
Balance, end of year	$ 12,336	$ 4,935

The balance at the end of year is restricted for the following purposes:

	2008	2007
Campus expansion	$ 12,336	$ 4,935

Note 9 Long-term Liabilities

	2008	2007
Construction financing for student residence (a)	$ 29,750	$ 30,502
Construction financing for student centre expansion (b)	12,807	13,000
Capital lease obligations (c)	1,021	850
Employee leave and retirement allowances (d)	2,127	1,681
	45,705	46,033
Less: current portion	2,190	1,399
	$ 43,515	$ 44,634

Note 9 Long-term Liabilities (Continued)

The minimum annual payments for each of the five succeeding fiscal years are as follows:

Residence Debenture (a)		
2009	$	798
2010		847
2011		898
2012		954
2013		1,012
	$	4,509
Wyckham Student Centre Expansion (b)		
2009	$	203
2010		214
2011		224
2012		236
2013		248
	$	1,125
Capital Leases (c)		
2009	$	379
2010		380
2011		203
2012		60
Total minimum lease payments	$	1,022
Employee leave and retirement allowances (d)		
2009	$	810
2010 and subsequent years		1,317
	$	2,127

a) Pursuant to a loan agreement entered into on August 14, 2002, the College borrowed the sum of $33.1 million to finance the construction of a student residence. The loan bears interest at 6.125% per annum and matures August 15, 2027. Security pledged for the loan includes all future cash flows generated through the operation of the student residence.

b) Pursuant to a loan agreement entered into on June 15, 2007, the College borrowed the sum of $13 million to finance the expansion of the MRC Student Association's Wyckham Student Centre facilities on campus. The loan bears interest at 5% per annum and matures June 15, 2037. In conjunction with this loan agreement is an agreement between the College and SAMARC to pay the College debt of $13 million over the same payment schedule and maturity date.

c) The imputed interest rate payable on these leases averages 8.19% (2007: 8.54%). During the year, interest expense of $ 88 (2007: $57) has been included in supplies and services expense.

Note 9 Long-term Liabilities (Continued)

d) The College has commitments to certain employees for earned leave and retirement allowances.

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions are the funded portion of capital assets that will be recognized as revenue in future periods.

	2008	2007
Transferred from deferred contributions (Note 7)	$ 1,177	$ 2,135
Transferred from deferred capital contributions (Note 8)	5	803
Earned and transferred to revenue	(6,432)	(7,362)
Decrease during the year	(5,250)	(4,424)
Balance, beginning of year	129,608	134,032
Balance, end of year	$ 124,358	$ 129,608

Note 11 Endowments

	2008	2007
External endowments	$ 29,581	$ 28,178
Internal endowments	200	200
Total Endowments	$ 29,781	$ 28,378

Endowments consist of restricted donations to the College as well as internal allocations by the Board, the principal of which is required to be maintained intact in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

Note 12 Internally Restricted Net Assets

The Board has committed operating net assets as follows:

	2008	2007
Operations:		
Academic program development	$ 1,131	$ 881
College effectiveness and community needs	551	843
Professional development	308	310
Scholarships and bursaries	654	618
Research and special projects	6,322	9,141
	8,966	11,793
Capital:		
Capital and equipment renewal	4,244	5,056
Instructional equipment	-	386
Residence	1,749	2,086
New facilities	12,000	-
Parking	4,641	3,443
	22,634	10,971
Total	$ 31,600	$ 22,764

Note 13 Investment Income

	2008	2007
Net investment income from restricted balances	$ 4,448	$ 4,100
Net transferred (to) deferred contributions	(2,399)	(3,179)
Investment income from restricted sources (Note 7)	2,049	921
Investment income from unrestricted sources	4,490	3,536
Investment income	$ 6,539	$ 4,457

Note 14 Long-term Employee Benefit Liabilities

a) Supplemental Retirement Plan (SRP)

This supplemental retirement plan includes retirement benefits for a former President of Mount Royal College.

		2008		2007
Accrued obligation , beginning of year	$	407	$	413
Current service cost		-		-
Interest cost		22		22
Prior service cost		-		-
Benefit paid		(35)		(32)
Actuarial loss		-		4
Accrued obligation, end of year	$	394	$	407
Accrued obligation	$	394	$	407
Unrecognized actuarial loss		(97)		(103)
Unrecognized prior service cost		-		-
Accrued liability, end of year (Note 9)	$	297	$	304
Current service cost	$	-	$	-
Interest cost		22		22
Prior service cost amortization		-		-
Actuarial loss amortization		-		-
Total SRP expense	$	22	$	22
Assumptions at end of year				
Discount Rate		5.50%		5.50%
Expected average remaining service life of employee		14		15

b) Pension Expense

		2008		2007
Local Authorities Pension Plan	$	5,510	$	4,920
Defined contribution supplemental pension plan		88		80
Supplemental retirement plan		22		22
	$	5,620	$	5,022

At December 31, 2007 the Local Authorities Pension Plan (LAPP) reported a deficit of $1,183,334 as compared to a deficit of $746,551 at December 31, 2006. The contribution rates for 2008 were unchanged from the prior years.

Note 15 Net Changes in Non-Cash Working Capital

	2008	2007
Current:		
Increase in accounts receivable	$ (583)	$ (124)
Decrease (Increase) in inventories	121	(87)
(Increase) decrease in prepaid expenses	(470)	388
Increase (decrease) in accounts payable and accrued liabilities	1,016	(1,053)
(Decrease) increase in deferred revenue	(506)	648
Increase in accrued vacation pay	728	221
Increase in deferred contributions	8,011	3,800
	$ 8,317	$ 3,793

Note 16 Expenses by Function

	2008	2007
Instruction	$ 78,544	$ 71,759
Student services	20,104	14,884
Institutional support	15,259	13,047
Facility operations and maintenance	18,058	15,475
Ancillary services	12,030	11,154
Computing Services	8,224	6,981
Amortization and loss on disposal of capital assets	10,178	11,395
	$ 162,397	$ 144,695

Note 17 Salaries and Benefits

This note complies with the requirements of the Alberta Provincial Treasury Board Salary and Benefits Disclosure Directive dated December 16, 1998 (amended on June 13, 2007) as applied to the College. The information is generally comparable from year to year. However, due to the specifics of the requirements and the particulars of the College's organization, the information may not be comparable to that of another organization.

Note 17 Salaries and Benefits (Continued)

	2008				2007
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3) (5)	Total	(restated (3)) Total
Board Chair	$ 5	$ -	$ -	$ 5	$ 6
Board Members	18	-	-	18	15
President (4)	246	20	207	473	390
Vice Presidents					
Academic	193	9	100	302	263
Administrative Services	193	-	80	273	246
External Relations	164	-	51	215	191
Executive Director					
Student Affairs and Campus Life	135	-	42	177	169

1) Base Salary includes pensionable base salary.
2) Consistent with other post secondary institutions and in recognition that the College uses certain Executive's homes for various College functions, the College pays for certain costs for the general operation of the home determined in accordance with a contractual arrangement entered into with the Executive member and the College. This amount is recognized within other cash benefits.
3) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, extended health care, dental care, long-term disability, and group life insurance. The other non-cash benefits value also includes the employer's share of the cost of additional benefits including administrative leaves or other special leaves with pay, supplementary retirement plans, car allowances, and club memberships. The comparative figures for 2007 for the Vice President Academic and Vice President Administrative Services have been adjusted to properly reflect the value of the non-cash benefit related to a administrative leave for the respective positions at June 30, 2007.
4) The President has a place on the Board for which he receives no remuneration. The college provides a vehicle to the President, the value of which is not included in benefits.
5) Under the terms of the supplementary retirement plan (SRP), the Executive Officers may receive supplemental retirement payments. Retirement arrangement costs, as detailed below, are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the defined annual contributions to the plan on behalf of the plan member including accrued interest on the accrued liability in the plan.

Note 17 Salaries and Benefits (Continued)

	Supplementary Retirement Benefits		
	Accrued Obligation 2007	Current Service Pension Cost	Accrued Obligation 2008
President	$ 76	$ 24	$ 100
Vice Presidents			
Academic	15	15	30
Administrative Services	57	18	75
External Relations	70	17	87
Executive Director			
Student Affairs & Campus Life	21	13	34

Note 18 Related Party Transactions

The College is a Provincial Corporation as all the members of the Board are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology. Transactions between the College and the Province are disclosed as follows:

	2008		2007	
	Current Year Receipts	Current Year Receipts to Deferred Contributions or to Unamortized Deferred Capital Contributions	Current Year Receipts	Current Year Receipts to Deferred Contributions or to Unamortized Deferred Capital Contributions
Operating grant	$ 61,552	$ -	$ 56,387	$ -
Bachelor of Nursing degree	3,145	3,145	10,000	10,000
ACCESS funding - programs	6,492		7,336	-
ACCESS funding - one-time	68		634	337
Access to the Future Funding	3,000	3,000	3,000	3,000
Infrastructure renewal envelope	-		2,420	1,852
Inmate Education Program	250		242	-
Literacy - Peer Learning Program	26		12	-
Exam Support Assistance	135		172	-
STEP Grants	-		31	-
High Speed Network / Software rebate	9		39	-
International Summer Program	-		7	-
Daycare & Related Program Grants	216		137	-
	$ 74,893	$ 6,145	$ 80,417	$ 15,189

During the year, the College conducted business transactions with other public colleges and universities. The revenues and expenses incurred for these business transactions have been included in the statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as those with non-related parties and are recorded at fair value amounts.

At June 30, 2008 the College has receivables from the Province of Alberta of $160 (2007: $256) and payables to the Province of Alberta of $12 (2007: $769).

Note 19 Contractual Obligations and Contingencies

(a) The College leases two facilities within Calgary and one within Edmonton, each with lease terms of up to five years. These leases expire within the next one to five years. The minimum operating lease payments for each of the five succeeding fiscal years is as follows:

2009	$ 697
2010	942
2011	724
2012	651
2013	651

(b) As at June 30, 2008, the College has commitments of approximately $6.2 million (2007: $13.4 million) for capital and expansion projects. As well, in 2004, the College entered into a five year contract (expiring on December 31, 2008) to manage its exposure to volatility in the electrical industry. Management has initiated the process to secure a new contract for the College's electrical supply following December 31, 2008. Based on management's estimate, the annual costs for the year ending June 30, 2009 are expected to be approximately $2.89 million.

(c) The College entered into an operating lease in February of 2008 for computers. The minimum operating lease payments for these leases for each of the four succeeding years is as follows:

2009	$ 1,690
2010	1,188
2011	767
2012	321

Note 20 Pledges

The estimated realizable value of pledges at June 30, 2008 is $1,955 (2007: $1,231). These pledges are expected to be honoured over the next six years and are not recorded as assets in these financial statements.

Note 21 Budget

The College is required to submit annually a budget/business plan, approved by the Board, to the Minister of Advanced Education and Technology for approval. The budget for fiscal year 2007/2008 was approved by the Board on April 16, 2007. The approved budget and four year business plan was submitted to the Minister thereafter. The board approved a revised budget for 2007/2008 on Oct. 26, 2007. That approved College budget and the full budget for the consolidated entity are as follows:

	Consolidated Entity Budget
Revenue	
Grants	$ 75,264
Tuition and related fees	34,393
Community programs	19,010
Sales, rentals and services	18,947
Investment income	3,903
Donations and contributions	1,331
Earned capital contributions	7,300
	$ 160,148
Expense	
Salaries and benefits	$ 106,941
Supplies and services	31,571
Cost of goods sold	3,434
Utilities	5,863
Scholarships and bursaries	1,421
Amortization and net loss on disposal of assets	10,926
	$ 160,156

Note 22 Comparative Figures

Certain 2007 figures have been reclassified to conform to the current year presentation.

Note 23 Approval of Financial Statements

The Board of Governors has approved these financial statements.

NORQUEST COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flow

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of NorQuest College

I have audited the consolidated statement of financial position of NorQuest College as at June 30, 2008 and the consolidated statements of operations, changes in net assets, and cash flow for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 30, 2008

NORQUEST COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2008

	2008	2007
ASSETS		
Current:		
Cash and cash equivalents (Note 3)	$ 9,129,078	$ 4,898,171
Accounts receivable	2,791,175	2,886,380
Inventories	152,384	161,811
Prepaid expenses	383,081	324,723
	12,455,718	8,271,085
Non-Current:		
Non-current cash and cash equivalents (Note 3)	10,423,357	5,268,233
Investments (Note 4)	4,151,363	4,730,730
Capital assets (Note 6)	32,291,644	27,777,229
	$ 59,322,082	$ 46,047,277
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 3,744,075	$ 2,839,867
Accrued vacation pay	3,435,345	3,091,674
Unearned revenue (Note 7)	2,121,353	1,178,566
Deferred lease inducement (Note 8)	56,434	56,434
Capital lease obligation (Note 9)	17,365	-
Deferred contributions (Note 10)	2,931,361	1,852,988
	12,305,933	9,019,529
Non-Current		
Deferred lease inducement (Note 8)	263,361	319,795
Lease obligation (Note 9)	72,823	-
Deferred capital contributions (Note 11)	7,449,788	1,730,960
Unamortized deferred capital contributions (Note 13)	18,922,979	16,021,542
	39,014,884	27,091,826
Net Assets:		
Unrestricted		
Accumulated excess of revenues over expenses	2,135,068	1,731,064
Accumulated net unrealized gain on investment	107,124	-
Internally restricted (Note 14)	3,487,511	4,582,232
Invested in capital assets	13,368,666	11,755,687
	19,098,369	18,068,983
Endowments (Note 15)	1,208,829	886,468
	20,307,198	18,955,451
	$ 59,322,082	$ 46,047,277

The accompanying notes are an integral part of these financial statements.

Wendy Kinsella
Chair, Board of Governors

Wayne Shillington
President

Date
November 24, 2008

Date
November 24, 2008

NORQUEST COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008

	2008		2007
	Budget (Note 23)	Actual	Actual
Revenue:			
Grants and other provincial government contributions (Note 16)	$ 32,615,656	$ 33,306,038	$ 28,887,569
Tuition and related fees	12,701,743	11,379,459	9,624,209
Entrepreneurial grants and contracts (Note 17)	6,305,906	7,193,506	5,713,588
Other sales, services and rental income	2,212,750	2,767,331	2,066,769
Amortization of deferred capital contributions (Note 13)	950,000	1,122,254	823,020
Interest income (Note 19)	550,000	832,016	654,518
Donations and contributions	244,856	665,525	326,002
	55,580,911	57,266,129	48,095,675
Expense (Note 20):			
Salaries, wages and benefits (Note 21)	41,265,301	39,854,316	34,933,102
Supplies and services (Note 22)	10,497,266	12,880,220	9,281,610
Amortization	2,250,000	2,708,517	2,370,459
Utilities	585,788	601,000	579,801
Professional development	378,550	299,814	234,585
	54,976,905	56,343,867	47,399,557
Excess of revenue over expense	$ 604,006	$ 922,262	$ 696,118

NORQUEST COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	2008						2007
	Unrestricted	Accumulated Unrealized Gain (Loss) on Investments	Internally Restricted (Note 14)	Invested in Capital Assets	Endowments (Note 15)	Total	Total
Excess of revenue over expense	$ 922,262	$ -	$ -	$ -	$ -	$ 922,262	$ 696,118
Endowment contributions	-		-	-	322,361	322,361	210,003
Net unrealized gains on investments available for sale (Note 5)	-	27,670	-	-	-	27,670	-
Transfers for:							
Acquisition of internally funded capital assets	(3,199,241)	-	-	3,199,241	-	-	-
Net book value of capital assets disposed	32,784	-	-	(32,784)	-	-	-
Amortization of internally funded capital assets	1,553,478	-	-	(1,553,478)	-	-	-
Board appropriations (Note 14)	(2,182,578)	-	2,182,578	-	-	-	-
Amount expended (Note 14)	3,277,299	-	(3,277,299)	-	-	-	-
Increase (Decrease) in net assets	404,004	27,670	(1,094,721)	1,612,979	322,361	1,272,293	906,121
Net assets, beginning of year	1,731,064		4,582,232	11,755,687	886,468	18,955,451	18,049,330
Adjustment effective July 1, 2007 (Notes 2b, and 5)		79,454				79,454	
Net assets, end of year	$ 2,135,068	$ 107,124	$ 3,487,511	$ 13,368,666	$ 1,208,829	$ 20,307,198	$ 18,955,451

NORQUEST COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
Cash generated from:		
Operating activities:		
Excess of revenue over expense	$ 922,262	$ 696,118
Non-cash transactions:		
Amortization of capital assets	2,659,548	2,346,287
Amortization of deferred capital contributions (Note 13)	(1,122,254)	(823,020)
Loss on disposal of capital assets	48,969	24,172
	2,508,525	2,243,557
Changes in working capital:		
Accounts receivable	95,205	(1,436,231)
Inventories	9,427	9,527
Prepaid expenses	(58,358)	(158,506)
Accounts payable and accrued liabilities	904,208	424,382
Accrued vacation pay	343,671	421,621
Unearned revenue	942,787	147,967
Leasehold inducement	(56,434)	376,229
Lease obligation	90,188	-
Deferred contributions	1,078,373	1,123,050
	3,349,067	908,039
Cash provided by operating activities	5,857,592	3,151,596
Investing activities:		
Proceeds on disposal of capital assets	-	9,741
Proceeds on sale of investments	686,491	1,489,581
Acquisition of capital assets - internally funded	(3,199,241)	(1,797,451)
Acquisition of capital assets - externally funded	(3,744,027)	(400,489)
Cash applied to investing activities	(6,256,777)	(698,618)
Financing activities:		
Deferred capital contributions received (Note 11)	10,240,848	1,642,510
Deferred capital contributions used for operating	(777,993)	(166,304)
Endowment contributions	322,361	210,003
Cash generated from financing activities	9,785,216	1,686,209
Increase in cash and cash equivalents	9,386,031	4,139,187
Cash and cash equivalents, beginning of year	10,166,404	6,027,217
Cash and cash equivalents, end of year	19,552,435	10,166,404
Cash and cash equivalents non-current	10,423,357	5,268,233
Cash and cash equivalents - current	$ 9,129,078	$ 4,898,171

Note 1 Authority and Purpose

NorQuest College (the "College") operates under the authority of *the Post-Secondary Learning Act, Chapter P-19.5, Statutes of Alberta, 2003*.

Serving primarily communities in central Alberta, the College provides instruction and training to assist adult learners through academic upgrading programs; career entry training in business, health, trades, technical and service industries; and English as a second language programs. The College maintains a special interest in providing programs and services to aboriginal communities.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidation and Use of Estimates

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the College and the NorQuest College Foundation.

In preparing the College's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period.

(b) Change in Accounting Policy

Effective July 1, 2007, the College implemented new financial instrument standards as described in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments -- Recognition and Measurement; and Section 3861 – Financial Instruments – Disclosure and Presentation. The College does not use hedge accounting and accordingly, is not impacted by the requirements of Section 3865, Hedges. As permitted for Not-for-Profit Organizations, the College has elected not to apply the standards for embedded derivatives (elements of contracts whose cash flows move independently from the host contract) in non-financial contracts.

Certain transitional adjustments have been recorded in opening net assets and deferred contributions as of July 1, 2007 (transitional date) for the change in accounting for financial assets classified as available-for-sale and measured at fair value, rather than cost, as at the commencement of the current fiscal year.

Financial assets classified as available-for-sale are measured at fair value with changes in fair values recognized in the Consolidated Statement of Changes in Net Assets or deferred contributions as appropriate until realized, at which time the cumulative changes in fair value are recognized in the Consolidated Statement of Operations.

Upon implementation of the new standards, the College has classified its significant financial assets and financial liabilities as follows:

Cash and short-term investments are classified as held-for trading, and are recorded at fair value with changes in fair value recorded through the excess of revenue over expense in each period.

Long-term investments are classified as available-for-sale, and are measured at fair value with subsequent gains or losses included in net assets or deferred contributions until the asset is removed from the consolidated statement of financial position. A transitional adjustment as at July 1, 2007 is outlined in Note 4.

Accounts receivable, and contributions receivable are classified as loans and receivable. After initial fair value measurement, they are measured at amortized cost.

Accounts payable and accrued liabilities and employee benefit liabilities are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost.

(c) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and contributions are recognized as revenue in the period when receivable. Unrealized gains and losses on available-for-sale securities attributed to other net assets are recorded in the consolidated statement of changes in net assets, and recognized in the statement of operations when realized.

(ii) Restricted Contributions

Externally restricted grants and contributions received primarily for non capital purposes are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted contributions received primarily for capital purposes are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to Unamortized Deferred Capital Contributions. Unamortized Deferred Capital Contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets which will not be amortized are recorded as direct increases in net assets Invested in Capital Assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

(iii) Investment Earnings

The College recognizes dividend and interest revenue as earned, and investment gains and losses when realized. Realized gains and losses represent the difference between the amounts recognized through sales of investments and their respective cost base, as well as the amounts provided for as a writedown due to impairment.
Unrealized gains and losses on available-for-sale securities attributed to endowment net assets are recorded in deferred contributions. Unrealized gains and losses on available-for-sale securities attributed to other net assets are recorded in the consolidated statement of changes in net assets, and are recognized in the statement of operations when realized.

(iv) Donations

Donations and contributions in kind are recorded at fair value.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts is determined using the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(d) Inventories

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(e) Capital Assets

Capital assets are recorded at cost, except donated assets, which are recorded at fair value.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings, site and leasehold improvements	7 - 40 years
Furniture, equipment and vehicles	10 years
Library collection	10 years
Curriculum	10 years
Computer hardware	5 years
Computer software	5 years
Rental books	5 years

(f) Employee Future Benefits

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. These pension plans are multi-employer defined benefit pension plans, that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the cost of employer contributions, for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(g) Full Cost

The College accounts for all significant costs and revenues related to the services it delivers. The fair value of services provided by the Alberta Government is recorded, with a corresponding amount in grants and other provincial government contributions. This consists of an estimate of the fair value of the lease payments for buildings which are leased by the College at a discounted or nominal cost, an estimate of the fair value of internet services, and an estimate of the fair value of courier services.

(h) Financial Instruments

The fair values of the College's accounts receivable, accounts payable and accrued liabilities, and accrued vacation pay are valued in accordance with the methods as described in Note 2(b).

Financial instruments of the College are exposed to credit risk, interest rate risk, and foreign exchange risk. The College's accounts, and contributions receivable are due from a diverse group of customers and are subject to normal credit risk. The interest rate risk is the risk to the College's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates. The foreign exchange risk is the risk of the rising costs related to purchase transactions in United States currency and the reduction of amount collected for receivables which are due in United States currency. Each of these risks is limited through the College's collection procedures, investment guidelines and other internal policies, guidelines and procedures.

(i) Fixed income securities

Fixed income securities are classified as available-for-sale (investments held for long-term capital appreciation and generation of income), and are measured at fair value at each reporting date. Fixed income securities are initially recognized at acquisition cost (purchase price plus transaction costs), which reflects any premium or discount at date of purchase, and carried at fair value.

Note 3 Cash and cash equivalents (current and non-current)

Cash and short-term investments are classified as held-for trading, and are recorded at fair value with changes in fair value recorded through the excess of revenue over expense in each period.

	2008		2007	
	Book Value	Market Value	Book Value	Market Value
Cash - operating	$ 3,215,217	$ 3,215,217	$ 493,516	$ 493,516
Cash - investment fund	16,337,218	16,337,218	9,672,888	9,672,888
Total cash and cash equivalents	19,552,435	19,552,435	10,166,404	10,166,404
Less non-current portion	(10,423,357)		(5,268,233)	
Cash and cash equivalents - current	$ 9,129,078		$ 4,898,171	

Non-current cash and investments are comprised of:

	2008	2007
Internally restricted for capital purposes (Note 14)	$ 1,764,740	$ 2,650,805
Externally restricted for capital purposes	7,449,788	1,730,960
Endowments	1,208,829	886,468
	$ 10,423,357	$ 5,268,233

Note 4 Investments

(a) The College's investment policy is dedicated to optimizing the return on investment while ensuring that the assets of the College are at all times prudently invested while minimizing the potential for loss of capital.

Specific guidelines have been established with respect to asset's quality, liquidity and term constraints.

In accordance with the College's investment guidelines investments may be made in the guaranteed investment instruments of an Alberta Treasury Branch, of the Government of Canada or a province, and in Chartered Banks having a Canadian Bond Service Rating of at least A-1 in treasury bills, bonds, bankers acceptances, debentures, notes or other debt instruments.

(b) On July 1, 2007, the College adopted the new accounting standards for Financial Instruments. The new standards required the following changes:

The College recognized unrealized gains on available for sale investments, resulting in an increase in the investment balance as at July 1, 2007 of $120,142. Of this amount, $40,688 relates to investments attributed to endowment net assets and has been recorded as deferred contributions. The balance of $79,454 relates to other net assets. See also Notes 5 and 10.

	2008			2007		
	Book Value	Unrealized Gain/(Loss)	Market Value	Book Value	Unrealized Gain/(Loss)	Market Value
Government of Canada bonds	$ 2,989,227	151,877	$ 3,141,104	$ 3,736,148	109,073	$ 3,845,221
Provincial bonds	998,311	11,948	1,010,259	994,582	11,069	1,005,651
Total investments	$ 3,987,538	163,825	$ 4,151,363	$ 4,730,730	$ 120,142	$ 4,850,872

Investments by range of maturity date are as follows:

	2008		
	Book Value	Market Value	Effective Yield to Maturity
Maturity less than one year	$ 998,311	$ 1,010,259	5.52%
Maturity 1 - 5 years, bonds	2,989,227	3,141,104	5.60%
	$ 3,987,538	$ 4,151,363	

The market value of investments may fluctuate with changes in current interest rates. Market values may decrease if interest rates increase and may increase if interest rates decrease.

Term to maturity of investments is based upon the contractual maturity of the security.

Note 5 Net Unrealized Gains on Available-for-Sale Investments

	2008	2007
Net unrealized gains on available-for-sale investments at July 1, 2007	$ 120,142	$ -
Net unrealized gains on available-for-sale investments arising during the year	43,683	-
Net unrealized gains on available-for-sale investments at June 30, 2008	$ 163,825	$ -

Presented as:	2008			2007
	Endowment net assets recorded in deferred contributions (Note 10)	Unrestricted net assets	Total	Total
Balance, July 1, 2007	$ 40,688	$ 79,454	$ 120,142	$ -
Increase during year	16,013	27,670	43,683	-
Balance, end of year	$ 56,701	$ 107,124	$ 163,825	$ -

Note 6 Capital Assets

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 5,171,165	$ -	$ 5,171,165	$ 5,171,165
Buildings, site and leasehold improvements	21,723,811	5,013,904	16,709,907	16,067,605
Computer hardware	8,140,605	4,862,203	3,278,402	2,176,117
Computer software	4,873,561	2,251,942	2,621,619	1,965,680
Rental books	1,196,129	1,124,891	71,238	18,446
Furniture, equipment and vehicles	4,565,126	1,254,856	3,310,270	1,362,705
Library collection	1,085,066	604,825	480,241	440,984
Curriculum	1,058,922	410,120	648,802	574,527
	$ 47,814,385	$ 15,522,741	$ 32,291,644	$ 27,777,229

Buildings include $1,509,744 (2007 - $1,509,744) of the Learning Center project functionality design cost, amortization of which is deferred until the completion of the project.
Computer software includes $91,317 (2007 - $0) of the ERP Student Module implementation costs, amortization of which is deferred until the completion of the implementation.

Note 7 Unearned Revenue

	2008	2007
Tuition fees	$ 865,583	$ 759,996
Entrepreneurial contract programs	1,180,467	399,363
Ancillary services and other	75,303	19,207
	$ 2,121,353	$ 1,178,566

Note 8 Deferred Lease Inducement

The College received a lease inducement under an agreement for leased premises in 2007. The inducement has been deferred and is being applied as a reduction of lease expense over the term of the lease (March 1, 2007 to February 28, 2014) on a straight-line basis as follows:

2009	$ 56,434
2010	56,434
2011	56,434
2012	56,434
2013	56,434
subsequent	37,625
Total unamortized deferred lease inducement	319,795
Less: current portion	(56,434)
Long term portion of deferred lease inducement	$ 263,361

Note 9 Capital Lease Obligation

The College has entered into capital lease agreements with interest rates between 3.5% and 4.9%:

	2008	2007
Capital lease obligation	$ 90,188	$ -
Less: current portion	(17,365)	-
Non-current capital lease obligation	$ 72,823	$ -

The minimum annual payments under the capital lease obligation are as follows:

	2008	2007
2008-2009	$ 20,656	$ -
2009-2010	28,670	-
2010-2011	22,756	-
2011-2012	24,982	-
Total minimum lease payments	97,064	-
Less: amounts representing interest	(6,876)	-
Capital lease obligation	$ 90,188	$ -

During the year, interest on the capital lease obligation amounting to $3,755 (2007 - $0) has been charged to expense.

Note 10 Deferred Contributions

	2008	2007
Deferred contributions relating to operating funding		
Restricted donations and contributions received during the year:		
Conditional grants	$ 5,274,864	$ 5,769,709
Donations and contributions	953,047	915,631
Interest income (Note 19)	107,732	67,368
	6,335,643	6,752,708
Transferred to revenue:		
Conditional grants, Alberta Advanced Education and Technology (Note 16)	(4,273,847)	(3,356,845)
Conditional grants, Government of Canada	-	(1,796,998)
Donations and contributions	(613,062)	(326,002)
Interest income (Note 19)	(20,027)	(15,973)
	(4,906,936)	(5,495,818)
Transferred to deferred capital contributions (Note 11)	(212,596)	(66,510)
Transferred to endowments	(194,439)	(67,330)
Change in deferred contributions relating to operating funding	1,021,672	1,123,050
Deferred contributions relating to operating funding, beginning of year	1,852,988	729,938
Deferred contributions relating to operating funding, end of year	$ 2,874,660	$ 1,852,988
Deferred contributions relating to unrealized gain on endowment investments		
Unrealized gain on endowment investments, beginning of year, as restated (Note 5)	40,688	-
Change in unrealized gain on endowment investments	16,013	-
Unrealized gain on endowment investments, end of year	56,701	-
Total deferred contributions, end of year	$ 2,931,361	$ 1,852,988

The balance consists of funds restricted for:

	2008	2007
E-campus Development	$ 9,952	$ 8,506
Smoking Cessation Program	-	24,414
Enrollment Envelope 2006	223,642	461,250
High Speed Network	18,126	70,701
International Education Program	-	20,000
Training/Learner Project	-	75,959
Roadmap for Web-based Curriculum Development	3,750	-
Enrollment Planning Envelope 2007 - Health Workforce	288,000	-
Alberta Post-Secondary Application System	100,000	-
Youth In Transition Pilot 2 Program	24,886	-
Print Media Production Program	56,272	-
ESL Support for Smaller Provider	196,156	-
Rural Delivery of Practical Nurse Education Research	181,000	-
Curriculum Common Model for Post-Secondary Institution	146,000	-
Clinical Skills Development Model & Tech Framework	241,000	-
Scholarships, bursaries and special projects	1,385,876	1,192,158
Change in unrealized gain on investment allocated to deferred contribution	56,701	-
	$ 2,931,361	$ 1,852,988

Note 11 Deferred Capital Contributions

	2008	2007
Conditional grants:		
Alberta Infrastructure and Transportation	$ -	$ 476,000
Alberta Advanced Education and Technology	8,606,000	1,100,000
Government of Canada - Western Economic Diversification	1,422,252	-
Transferred from deferred contributions (Note 10)	212,596	66,510
	10,240,848	1,642,510
Transferred to grant revenue:		
Alberta Infrastructure and Transportation (Note 16)	(223,142)	(136,192)
Alberta Advanced Education and Technology (Note 16)	(554,851)	(30,112)
Transferred to unamortized deferred capital contributions (Note 13)	(3,744,027)	(400,489)
	5,718,828	1,075,717
Balance at beginning of year	1,730,960	655,243
Balance at end of year	$ 7,449,788	$ 1,730,960

The balance consists of funds restricted for:

	2008	2007
Alberta Infrastructure and Transportation		
Infrastructure Maintenance Program	$ -	$ 238,000
Government of Canada - Western Economic Diversification		
The Centre for Excellence in Print Media Communications	37,171	-
Alberta Advanced Education and Technology		
HVAC System Renewal	530,709	635,103
Access to the Future	1,597,054	857,857
The Centre for Excellence in Print Media Communications	131,019	-
Auditorium Upgrade	583,000	-
Air Conditioning Replacement	315,000	-
Science Lab Upgrade	200,000	-
Planning the Downtown Campus Expansion Project	703,034	-
Practical Nurse Expansion Program	3,352,801	-
	$ 7,449,788	$ 1,730,960

Note 12 Employee Future Benefits

At July 1, 2002, the College established a self-insured long term disability plan for its term employees. Employee and employer contributions are based on a percentage of the monthly salary of each term employee. This percentage is reviewed each year in conjunction with a review of the actual benefits paid out during the year.

The table below is a summary of the plan's assets and liabilities balances, as of June 30, 2008

	2008	2007
Plan assets		
Deposits		
Employee contributions	$ 44,127	$ 36,186
Employer contributions	9,330	4,044
	53,457	40,230
Withdrawals		
Payments (chargeable claims)	40,323	96,430
Administration	3,762	3,816
	44,085	100,246
Surplus (deficit)	9,372	(60,016)
Plan assets, beginning of year	55,906	115,922
Plan assets, end of year	65,278	55,906
Accrued benefit obligation		
Open and reported claims liability estimate[1]	20,008	37,067
Incurred but not reported claims [2]	40,092	30,172
Claims fluctuation reserve [3]	5,178	-
	65,278	67,239
Total excess assets (unfunded liabilities)	$ -	$ (11,333)

1) The open and reported claims liability estimate is determined based on a gross monthly benefit, and does not contain other discounts for interest, death or recovery, and CPP offset.

2) The incurred but not received claims estimate is determined based on 75% of actual paid premiums.

3) The claims fluctuation reserve serves the purpose of moderating the potential impact of negative claims experience. In the years when claims experience exceeds premium payments the reserve will be drawn down to pay the excess claims. In the years when premiums exceed claims the reserve will be build up to a level equaling to 25% of annual premiums.

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. The pension expense recorded in these financial statements is equivalent to the College's annual contributions of $2,479,850 for the year ended June 30, 2008 (2007 - $2,108,011).

At December 31, 2007, the Management Employees Pension Plan reported a deficiency of $84,341,000 (2006- $6,765,000) and the Public Service Pension Plan reported a deficiency of $92,070,000 (2006 surplus of $153,024,000).

Note 13 Unamortized Deferred Capital Contributions

	2008	2007
Balance at beginning of year	$ 16,021,542	$ 15,352,825
Amortization of deferred capital contributions	(1,122,254)	(823,020)
Transferred from deferred capital contributions (Note 11)	3,744,027	400,489
Donated equipment	279,664	1,091,248
Balance at end of year	$ 18,922,979	$ 16,021,542

Note 14 Internally Restricted Net Assets

Internally restricted net assets represent amounts restricted by the College Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without the approval of the Board.

	2008			
	Opening	Appropriations and Transfers	Expended	Closing
Capital:				
Downtown Campus Development	$ 1,338,527	$ -	$ -	$ 1,338,527
Information Management Project	1,204,929	1,660,000	(2,595,978)	268,951
Physical Assets	107,349	315,245	(265,332)	157,262
	2,650,805	1,975,245	(2,861,310)	1,764,740
Operating:				
Information and Technology	402,293	200,000	(389,347)	212,946
Organizational Development	434,107	-	-	434,107
Educational Resources	601,132	-	(124)	601,008
Health Careers Expansion	297,364	-	(55)	297,309
Business Development	170,135	7,333	(21,782)	155,686
Scholarships	26,396	-	(4,681)	21,715
	$ 4,582,232	$ 2,182,578	$ (3,277,299)	$ 3,487,511

Note 15 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is not to be spent. Investment earnings on externally restricted endowments are recorded as deferred contributions until spent, at which time they are recorded as revenue. Investment earnings on internally restricted endowments are recorded as revenue and transferred to internally restricted net assets until spent. The investment income generated from endowments must be used in accordance with the purposes established by the donors or the Board of Governors. Endowments comprise the following:

	2008	2007
Externally restricted for scholarships and bursaries	$ 1,022,098	$ 719,040
Internally restricted:		
Scholarships and bursaries	148,577	129,631
Literacy	23,154	22,797
Career training	5,000	5,000
Graduation	10,000	10,000
	186,731	167,428
	$ 1,208,829	$ 886,468

Note 16 Grants and Other Provincial Government Contributions

	2008	2007
Alberta Advanced Education and Technology:		
General operating grant	$ 27,834,252	$ 24,837,427
Performance envelope	204,852	311,900
Conditional grants (Note 10)	4,273,847	3,356,845
Conditional capital grants (Note 11)	554,851	30,112
Other Alberta Government:		
Contributions in kind (Note 24)	215,094	215,093
Conditional capital grants (Note 11)	223,142	136,192
	$ 33,306,038	$ 28,887,569

Note 17 Entrepreneurial grants and contracts

	2008	2007
Government of Canada - Language Instruction for Newcomers	$ 2,788,509	$ 1,974,291
Consortia Contracts	762,732	718,170
Alberta Employment and Immigration	2,394,179	1,754,499
Other contracts	1,248,086	1,266,628
	$ 7,193,506	$ 5,713,588

Note 18 Ancillary Services

	2008				2007
	Campus Store	Rental Books	Other Ancillary	Total	Total
Revenue	$ 1,196,725	$ 619,817	$ 433,675	$ 2,250,217	$ 1,880,095
Expense (Note 20)	(890,968)	(362,152)	(198,109)	(1,451,229)	(1,458,929)
Net	305,757	257,665	235,566	798,988	421,166
Indirect expenses	(83,566)	(169,063)	(24,682)	(277,311)	(251,255)
Excess (Deficiency)	$ 222,191	$ 88,602	$ 210,884	$ 521,678	$ 169,911

Indirect expenses include estimates for the cost of use of space, facility operating costs, and institutional support. Other ancillary services include parking and external printing services.

Note 19 Interest Income

	2008	2007
Interest earnings	$ 919,721	$ 705,913
Add deferred amounts expended (Note 10)	20,027	15,973
Less amounts transferred to deferred contributions for scholarships and bursaries (Note 10)	(107,732)	(67,368)
Total interest income recognized as revenue	$ 832,016	$ 654,518

Note 20 Expense by Function

	2008	2007
Instruction	$ 20,230,975	$ 17,361,911
Academic support	10,832,418	9,083,467
Facilities operations and maintenance	7,261,001	5,673,798
Student services	4,977,818	5,159,310
Institutional support	7,877,997	5,111,100
Ancillary services (Note 18)	1,451,229	1,458,929
Computing, network and communications	3,686,172	3,551,042
Special purpose and trust	26,257	-
	$ 56,343,867	$ 47,399,557

Instruction encompasses all formal educational and instructional program elements.

Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services.

Facilities operations and maintenance includes building maintenance, facilities administration, custodial services, utilities, repairs and renovations, capital amortization and other activities for the management of the facilities.

Student services includes all activities or services to the student body of the College.

Institutional support includes all activities that provide College-wide support to other programs and services.

Ancillary services include self supporting revenue producing services provided to students, faculty and staff.

Computing, network and communications includes activities and services that provide and support computing, networking, data communications and other information technology functions.

Special purpose and trust includes activities related to student assessment testing.

Note 21 Salaries, Wages and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 12/98, as amended July 6, 2004, and only includes salary and benefit information for the Board and Senior Management:

	2008				2007
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Chairman of the Board	$ -	$ 5,040	$ 76	$ 5,116	$ 5,116
Board Members	-	21,525	16	21,541	26,944
President	169,140	-	18,121	187,261	180,149
Vice President Academic	142,056	-	27,043	169,099	158,501
Vice President Corporate Services[4]	133,032	-	27,412	160,444	175,782
Director, Information and Technology	124,872	-	26,518	151,390	146,149
Dean of Student Services & Office of the Registrars[5]	116,640	-	27,352	143,992	-

1) Base Salary represents the actual salary expense and includes base pay and amounts deferred for future leave.

2) Other cash benefits include honoraria.

3) Other non-cash benefits include the College's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, and professional memberships required for employment. Other non-cash benefits also includes accrued professional development leave for the President.

4) The value reported for 2007 for the Vice President Corporate Services includes amounts paid to two separate individuals. For 2008, the value includes amounts for the current Vice President Corporate Services only.

5) The Dean of Student Services & Office of the Registrars accepted the position on August 14, 2007. It is a new position created in 2008.

Note 22 Supplies and Services

	2008	2007
Supplies and services	$ 4,437,624	$ 2,885,891
Contracted services	3,093,728	1,785,672
Repairs and maintenance	1,373,703	1,156,874
Purchases for resale	842,574	651,212
Leases and rentals	2,028,911	1,533,800
Marketing	692,804	853,329
Telecommunications	247,275	281,318
Scholarships and bursaries	163,601	133,514
	$ 12,880,220	$ 9,281,610

Note 23 Commitments and Contingencies

Future minimum annual lease payments under operating leases and other commitments are:

2009	$ 3,120,325
2010	2,870,714
2011	1,573,587
2012	1,577,189
2013 and thereafter	2,805,315

Included in the above is a major contract to provide facility maintenance services. The contract is for the period July 1, 2007 to June 30, 2010. The total outstanding commitment under the contract at June 30, 2008 is $2,515,440.

Note 24 Related Parties

(a) Alberta Government and Alberta Post-Secondary Education Institutions

The College is a Provincial Corporation. All of the members of the Board of Governors are appointed pursuant to the Post Secondary Learning Act by a combination of orders by the Lieutenant Governor in Council or the Minister of Advanced Education & Technology. In accordance with the accounting policy described in Note 2 (f), the College accounts for all significant costs related to the services for which it is responsible.

In the normal course of operations, the College engages in brokerage and other collaborative arrangements with other post-secondary educational institutions in Alberta. These institutions are also Provincial Corporations.

The College had the following transactions with related parties:

	Alberta Government		Post Secondary Collaboration	
	2008	2007	2008	2007
Revenues:				
Grants and other provincial government contributions	$ 33,090,945	$ 28,672,476	$ -	$ -
Contract Programs	1,612,992	1,791,396	153,959	221,872
Amortization of deferred capital contributions	895,126	798,680	-	-
Other sales, services and rental income	-	566	12,000	80
	$ 35,599,063	$ 31,263,118	$ 165,959	$ 221,952
Expenses	$ 210,541	$ 112,610	$ 349,155	$ 224,623
Contributions in kind (Note 16)	215,094	215,093	-	-
	$ 425,635	$ 327,703	$ 349,155	$ 224,623
Accounts receivable	$ 449,803	$ 575,651	$ 143,971	$ 166,384
Accounts payable	$ -	$ -	$ -	$ 12,899
Deferred capital contributions	$ 7,412,617	$ 1,730,960	$ -	$ -
Unamortized deferred capital contributions	$ 16,320,320	$ 14,854,218	$ -	$ -

Contributions in kind from the Alberta Government includes an estimate of the fair value of the lease payments of the buildings leased by the College from the Alberta Government at nominal or discounted amounts, and estimates of the fair value of courier and internet services.

Note 25 Budget

The Board of Governors approved the College's annual budget on May 7, 2007.

Note 26 Funds Held on Behalf of Others

The College provides accounting services to certain entities. The following funds, held by the College on their behalf, are not included in these financial statements:

	2008	2007
NorQuest College Students' Association	$ 442,168	$ 380,280
Deferred Salary Leave Plan	27,224	13,035
Faculty Association	4,410	4,256
NorQuest College Staff Social Fund - Spirit Planners	1,373	5,994
NorQuest Student Art Club	8,409	12,961
	$ 483,584	$ 416,526

Note 27 Comparative Figures

Certain comparative amounts have been reclassified where necessary to conform to the current year's financial statement presentation.

Note 28 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

NORTHERN LAKES COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Northern Lakes College

I have audited the consolidated statement of financial position of Northern Lakes College (the College) as at June 30, 2008 and the consolidated statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn FCA
Auditor General

Edmonton, Alberta
September 26, 2008

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2008

	2008	2007
ASSETS		
Current:		
Cash and short term investments (Note 5)	$ 8,356,520	$ 6,201,458
Accounts receivable	936,273	881,622
Inventories (Note 3)	337,172	208,077
Prepaid expenses	55,691	112,242
	9,685,656	7,403,399
Non-current cash (Note 4)	793,730	1,227,657
Investments (Note 5)	4,296,562	4,370,322
Capital assets (Note 6)	29,300,559	29,923,992
	$44,076,507	$42,925,370
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 2,419,236	$ 1,135,814
Accrued vacation pay	2,119,077	2,031,605
Unearned revenue (Note 7)	2,673	46,519
Deferred contributions (Note 8)	3,684,608	4,206,557
Deferred capital contributions (Note 9)	453,839	1,179
Security deposits held	39,237	32,845
Current portion of equipment loan (Note 10)	26,408	35,224
	8,745,078	7,489,743
Equipment loan (Note 10)	-	26,408
Unamortized deferred capital contributions (Note 11)	23,518,761	24,631,188
	32,263,839	32,147,339
Net assets:		
Accumulated net unrealized gains on investments	39,022	-
Unrestricted net assets	3,564,172	2,557,551
Invested in capital assets	5,781,798	5,292,804
Internally restricted net assets (Note 12)	1,012,442	1,512,442
Endowments	1,415,234	1,415,234
	11,812,668	10,778,031
	$44,076,507	$42,925,370

The accompanying notes are an integral part of these consolidated financial statements.

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 2008

	2008		2007
	Budget (Note 23)	Actual	Actual
Revenue:			
Grants and provincial government contributions (Note 13)	$24,763,733	$25,886,392	$23,078,911
Tuition and related fees	4,393,904	4,196,419	3,680,697
Sales, rentals and services (Note 14)	1,457,024	1,560,972	1,536,837
Contract programs	98,900	585,679	397,706
Investment income (Note 15)	366,650	542,771	448,634
Donations and contributions	208,400	228,474	74,580
Miscellaneous	500	2,322	7,984
Gain (Loss) on disposal of capital assets	6,000	1,057	33,584
Amortization of deferred capital contributions (Note 11)	1,300,000	1,353,587	1,298,609
	32,595,111	34,357,673	30,557,542
Expense (Note 16):			
Salaries, wages and benefits (Note 17)	20,451,747	19,960,565	18,101,746
Supplies and services (Note 19)	6,911,493	8,152,213	6,910,364
Amortization	2,100,000	2,038,181	2,069,164
Utilities	1,120,445	940,414	1,123,982
Cost of goods sold	614,500	683,371	602,412
Travel	704,646	734,050	656,280
Facilities rental	372,855	414,172	300,111
Repairs and maintenance	260,200	379,694	138,765
Scholarships and bursaries	59,225	59,398	45,585
	32,595,111	33,362,058	29,948,409
Excess of revenue over expense	$ -	$ 995,615	$ 609,133

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2008

	2008						2007
	Endowments	Accumulated Net Unrealized Gain on Investments	Internally Restricted Net Assets (Note 12)	Invested in Capital Assets	Unrestricted	Total	Total
Excess of revenue over expense	$ -	$ -	$ -	$ -	$ 995,615	$ 995,615	$ 609,133
External endowment contributions			-	-	-	-	799,968
Net Assets restricted by the Board:							
Facilities improvement	-	-	(255,000)	-	255,000	-	-
Technology requirements	-	-	(115,000)	-	115,000	-	-
Curriculum development	-	-	(120,000)	-	120,000	-	-
Program equipment	-	-	(10,000)	-	10,000	-	-
Transfers for:							
Disposal of land	-	-	-		-	-	(32,600)
Decrease in net unrealized gains on investments	-	(36,519)	-	-	-	(36,519)	-
Acquisition of internally funded capital assets	-	-	-	1,197,714	(1,197,714)	-	-
Disposal of internally funded capital assets	-	-	-	(24,126)	24,126	-	-
Amortization of internally funded capital assets	-	-	-	(684,594)	684,594	-	-
Increase (decrease) in net assets	-	(36,519)	(500,000)	488,994	1,006,621	959,096	1,376,501
Net assets, beginning of year	1,415,234	-	1,512,442	5,292,804	2,557,551	10,778,031	9,401,530
Adoption of new financial instruments accounting policy (Note 2(b) and Note 5)		75,541				75,541	
Net assets, end of year	$ 1,415,234	$ 39,022	$ 1,012,442	$ 5,781,798	$ 3,564,172	$11,812,668	$ 10,778,031

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2008

	2008	2007
Cash generated from (used by):		
Operating activities:		
Excess of revenue over expense	$ 995,615	$ 609,133
Non-cash transactions		
Amortization of deferred capital contributions	(1,353,587)	(1,298,609)
Amortization of capital assets	2,038,181	2,069,164
Gain (Loss) on disposal of capital assets	(1,057)	(33,584)
	1,679,152	1,346,104
Changes in non-cash working capital (Note 18)	684,296	1,410,358
Cash generated from operating activities	2,363,448	2,756,462
Investing activities:		
Net sales (purchases) of investments	112,782	390,287
Net (increase) decrease in non-current cash	433,927	(1,190,927)
Acquisition of capital assets	(1,443,813)	(1,943,984)
Proceeds on disposal of capital assets	25,183	142,988
Cash applied to investing activities	(871,921)	(2,601,636)
Financing activities:		
Equipment loan	(35,224)	(35,223)
Endowment contributions	-	799,968
Capital contributions received (Note 9)	698,759	1,208,433
Cash generated from financing activities	663,535	1,973,178
Increase in cash	2,155,062	2,128,004
Cash at beginning of year	6,201,458	4,073,454
Cash at end of year	$ 8,356,520	$ 6,201,458

NORTHERN LAKES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008

Note 1 Authority and Purpose

Northern Lakes College (the "College") was established as a public college on May 14, 1997 by the Lieutenant Governor in Council. The College operates under the authority of the *Post-Secondary Learning Act, Chapter P-19.5, Statues of Alberta, 2003.* The College is a registered charity and is exempt from the payment of income taxes under section 149 of the Income Tax Act.

Serving primarily communities in north central Alberta, the College provides quality educational programs and services which enable adults to continue their education, to improve their employment opportunities, and to enhance their quality of life. The College accomplishes its mission and mandate for services through: direct and distance delivered programs and courses; numerous credit and non-credit offerings; brokerage and collaborative arrangements; partnerships with business, industry, institutions and agencies; a structured network of community involvement in needs definition, student and staff selection, and assessment of College effectiveness; and use of technology to provide affordable and accessible programs and services to a wide geographic area.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation and Use of Estimates

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the College and the Council of Community Education Committees Society of Northern Lakes College (the "CCEC"). CCEC is a registered charitable organization for income tax purposes.

The CCEC acts as a partner with the College reviewing, monitoring and advising on college service priorities in addition to operating and managing numerous programs and courses. The CCEC is made up of 24 education committees representing numerous community agencies and organizations in north central Alberta.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(b) Change in Accounting Policy

Effective July 1, 2007, Northern Lakes College implemented new financial instrument standards as described in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments-Recognition and Measurement and Section 3861- Financial Instruments- Disclosure and Presentation. Northern Lakes College does not use hedge accounting and accordingly, is not impacted by the requirements of Section 3865, Hedges. As permitted for Not-for-Profit Organizations, Northern Lakes College has elected not to apply the standards for embedded derivatives (elements of contracts whose cash flows move independently from the host contract) in non-financial contracts.

Financial assets classified as available-for-sale are measured at fair value with changes in fair values recognized in the Consolidated Statement of Changes in Net Assets until realized, at which time the cumulative changes in fair value are recognized in the Consolidated Statement of Operations.

Upon implementation of the new standards, Northern Lakes College has classified its significant financial assets and financial liabilities as follows:

(i) Cash is classified as held-for-trading, and is recorded at fair value with changes in fair value recorded through the excess of revenue over expenses in each period.

(ii) Long term and short term investments are classified as available-for-sale, and are measured at fair value with subsequent gains or losses included in net assets until the asset is removed from the consolidated statement of financial position.

(iii) Accounts receivable and contributions receivable are classified as loans and receivables.

(iv) Accounts payable, accrued liabilities and employee benefit liabilities are classified as other financial liabilities.

(c) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and contributions are recognized as revenue in the period when receivable.

(ii) Restricted Contributions

Externally restricted non-capital grants and contributions are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets which will not be amortized are recorded as direct increases in net assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

(iii) Investment Income

Unrestricted investment income is recognized in the year it is earned.

Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

(iv) Donations

Donations and contributions in-kind are recorded at fair value when such value can reasonably be determined.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts is determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(d) Inventories

Inventories for resale are valued at the lower of cost or net realizable value, with cost determined on a moving average basis.

(e) Capital Assets and Collections

Capital assets are recorded at cost, except donated assets which are recorded at fair value, when fair value is reasonably determinable.

Capital assets, except projects in progress which are amortized upon completion, are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	10 - 40 years
Telecommunications equipment	5 - 10 years
Furniture and equipment	5 - 10 years
Heavy equipment	5 - 10 years
Vehicles	5 years
Library holdings	2 - 10 years
Curriculum development	5 years
Computer equipment and software	5 years

Leasehold improvements are amortized over the remaining term of the lease.

Museum Collections are recorded at cost and are not amortized.

(f) Employee Future Benefits

The College participates in the Province of Alberta's Public Service and the Management Employees Pension Plans. These pension plans are multi-employer defined benefit plans that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Public Service and the Management Employees Pension Plans. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(g) Financial Instruments

The fair values of the College's cash and short term investments, accounts receivable, accounts payable, accrued liabilities, and accrued liabilities and security deposits approximate their carrying values due to the relatively short period to maturity of these instruments and are valued in accordance with the methods as described in Note 2 (b).

Financial instruments of the College are exposed to credit risk, interest rate risk and market risks. The College's accounts receivable are due from a diverse group of customers and are subject to normal credit risk. The interest rate risk is the risk to the College's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates. The market rate risk is the risk to the College's earnings that arises from the fluctuation and the degree of volatility in the market value of long-term and short- term investments. Each of these risks is limited through the College's collection procedures, investment guidelines and other internal policies, guidelines and procedures.

(h) Fixed income and marketable equity securities

Fixed income and marketable equity securities are classified as available-for-sale (investments held for long-term capital appreciation and generation of income), and are measured at fair value at each reporting date. The College utilizes trade-date accounting for all purchases and sales of financial assets in its investment portfolio. Fixed income securities are initially recognized at acquisition cost, which reflects any premium or discount at date of purchase, and carried at fair value. Marketable equity securities are also initially recognized at acquisition cost, and subsequently measured at fair value. Transaction costs are expensed as incurred.

Note 3 Inventories

Inventories for resale are valued at the lower of cost or net realizable value, with cost determined on a moving average basis.

	June 30, 2008	June 30, 2007
Book Distribution Centre	$ 300,464	$ 159,565
Other Inventories	36,708	48,512
	$ 337,172	$ 208,077

Note 4 Non-current Cash

Non-current cash consists of amounts related to:

	June 30, 2008	June 30, 2007
Non-current cash held by College	$ 484,322	$ 375,786
Endowments	309,408	851,871
	$ 793,730	$ 1,227,657

Cash restricted for endowment purposes represents restricted contributions subject to stipulations specifying that the principal be maintained permanently, although the constituent assets may change from time to time. Investment earnings are to be used for purposes as designated by the contributors. Endowment balance includes an endowment of $5,000 established by the Board of Governors for scholarships.

Note 5 Short-term and Long-term Investments

Short-term investments and long-term investments are recorded at market value, with unrealized gains or losses recorded in net assets. Market value is based upon the quoted market price of the securities.

The College's investment policy is dedicated to optimizing the return on investment while ensuring that the assets of the College are at all times prudently invested while minimizing the potential for loss of capital.

Specific guidelines have been established with respect to asset mix, diversification, security, and performance measurement as well as quality, liquidity and term constraints.

In accordance with the College's investment policy, risk on all investments is managed by:
(i) Requiring that all bonds be rated "A" or better by the Dominion Bond Rating Service or an equivalent recognized rating agency.
(ii) Holding a diversified selection of equities in pooled funds and limiting exposure to 30% of the total investment portfolio.
(iii) Limiting investment in foreign equities in third party managed pooled equity funds that must not include emerging markets.

Investments are comprised of:

	2008			2007
	Cost	Unrealized Gain/Loss	Market Value	Cost
Short-term Investments				
Federal guaranteed bonds	1,365,654	5,405	1,371,059	697,036
Provincial guaranteed bonds	-	-	-	99,966
Corporate bonds	199,836	524	200,360	-
	$ 1,565,490	$ 5,929	$ 1,571,419	$ 797,002
Long-term Investments				
Cash held by investment manager	$ 793,730	$ -	$ 793,730	$ 422,690
Federal guaranteed bonds	1,248,361	12,456	1,260,817	2,936,330
Provincial guaranteed bonds	1,423,890	4,820	1,428,710	1,433,992
Corporate bonds	401,852	(1,596)	400,256	-
Equities	1,180,000	26,779	1,206,779	-
	$ 5,047,833	$ 42,459	$ 5,090,292	$ 4,793,012
Total	$ 6,613,323	$ 48,388	$ 6,661,711	$ 5,590,014

The terms of the bond portfolio range from 1 year to 8.5 years with an average term to maturity of 4 years. The average effective yield on the bond portfolio is 4.12% (2007- 4.70%)
Short term investments are included in the cash and short term investment balance of $8,356,520 under current assets. The unrealized gain of $48,388 consists of $39,022 in investments and $9,366 in endowments.

Note 6 Capital Assets

	June 30, 2008			June 30, 2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings and site improvements	$ 32,256,564	$ 8,204,007	$ 24,052,557	$ 25,055,693
Telecommunication equipment	1,132,073	314,900	817,173	1,227,294
Furniture and equipment	1,655,070	941,614	713,456	492,582
Heavy equipment	156,782	137,806	18,976	24,011
Vehicles and capital leases	831,006	591,946	239,060	235,255
Library holdings	1,290,345	919,971	370,374	347,280
Curriculum development	1,279,081	1,049,101	229,980	351,324
Computer equipment and software	3,119,974	2,828,847	291,127	521,804
Leasehold improvements	475,399	277,747	197,652	223,169
Museum collections	109,575	-	109,575	109,575
Land	1,244,080	-	1,244,080	1,244,080
Projects in progress	1,016,549	-	1,016,549	91,925
	$ 44,566,498	$ 15,265,939	$ 29,300,559	$ 29,923,992

The museum collection also consists of aboriginal artifacts gifted to the College that are recorded at $Nil. The appraised value of this collection as at July 15,2008 was $279,931.

Note 7 Unearned Revenue

	June 30, 2008	June 30, 2007
Tuition Fees	$ 273	$ 41,911
Ancillary programs	2,400	4,608
	$ 2,673	$ 46,519

Note 8 Deferred Contributions

	June 30, 2008	June 30, 2007
Balance at beginning of year	$ 4,206,557	$ 3,161,575
Restricted contributions received during the year:		
Conditional grants	2,593,416	3,225,800
Donations and contributions	281,570	314,946
Investment income (Note 15)	91,474	71,883
	7,173,017	6,774,204
Transferred to:		
Grant revenue (Note 13)	(2,499,032)	(1,286,803)
Donation revenue	(214,159)	(55,377)
Investment income (Note 15)	(85,825)	(17,034)
Deferred capital contributions (Note 9)	(698,759)	(1,208,433)
	3,675,242	4,206,557
Deferred contributions relating to unrealized gain on investments:		
Unrealized gain on investments, beginning of year	12,425	-
Change in unrealized gain on investments relating to endowments	(3,059)	-
	9,366	-
Balance at end of year	$ 3,684,608	$ 4,206,557

Unspent amounts at end of year are restricted for:

	June 30, 2008	June 30, 2007
Infrastructure Renewal	$ 1,782,161	$ 2,137,528
Slave Lake Pool	210,934	328,808
Student Awards and Scholarships	288,782	259,019
Program Enhancement	1,280,444	1,378,990
Staff Development	25,602	23,429
Alberta North Projects	43,002	55,656
Museum	13,896	12,000
Other	30,421	11,127
Unrealized gain on investments allocated to endowments	9,366	-
	$ 3,684,608	$ 4,206,557

Note 9 Deferred Capital Contributions

	June 30, 2008	June 30, 2007
Balance at beginning of year	$ 1,179	$ 15,062
Contributions received during the year:		
Transfers from deferred contributions (Note 8)	698,759	1,208,433
Transferred to:		
Unamortized deferred capital contributions (Note 11)	(246,099)	(1,208,433)
Revenue	-	(13,883)
	(246,099)	(1,222,316)
Balance at end of year	$ 453,839	$ 1,179

Unspent amounts at end of year are restricted for:

	June 30, 2008	June 30, 2007
Infrastructure renewal	$ 452,660	$ -
Historical building restoration project	1,179	1,179
	$ 453,839	$ 1,179

Note 10 Equipment Loan

In July 2003, the College borrowed the sum of $176,108 from Caterpillar Financial Services Limited for the purchase of a Harvester Simulator with a current NBV of $ Nil. The loan is secured by a charge on this equipment, bears interest at TD Trust prime plus 0.75% and matures March 30, 2009. During the year principal payments amounted to $35,224.

The repayment of principal for the next three fiscal years will be as follows:

2009	26,408
Less current portion	26,408
	$ -

Note 11 Unamortized Deferred Capital Contributions

	June 30, 2008	June 30, 2007
Balance at beginning of year	$ 24,631,188	$ 24,894,945
Add amount transferred from deferred capital contributions (Note 9)	246,099	1,208,433
Less capital asset disposals	(4,939)	(173,581)
Less amount amortized to revenue	(1,353,587)	(1,298,609)
Balance at end of year	$ 23,518,761	$ 24,631,188

Note 12 Net Assets Internally Restricted by the Board

The Board has committed unrestricted net assets as follows:

	June 30, 2008	June 30, 2007
Operations:		
Technology requirements	$ -	$ 115,000
Curriculum development	-	120,000
Program equipment	-	10,000
Scholarships and bursaries	12,442	12,442
	12,442	257,442
Capital:		
Trout/Peerless campus	1,000,000	1,000,000
Resource program lab	-	255,000
	$ 1,012,442	$ 1,512,442

Note 13 Grants and Provincial Government Contributions

	June 30, 2008	June 30, 2007
Unrestricted:		
Alberta Advanced Education:		
Base operating grant	$ 23,362,269	$ 21,741,695
Museum grants	25,091	23,741
Other grants	-	26,672
	23,387,360	21,792,108
Transferred from Deferred Contributions (Note 8):		
Alberta Advanced Education:		
Access grants	832,379	398,155
Conditional grants	461,369	435,255
Other grants	-	18,635
High Speed Internet grant	153,366	150,506
Facilities grants	938,369	241,912
Other grants	113,549	42,340
	2,499,032	1,286,803
	$ 25,886,392	$ 23,078,911

Note 14 Sales, Rentals and Services

	June 30, 2008				June 30, 2007
	Bookstores	Housing	Other	Total	Total
Sales, rentals and services	$ 772,084	$ 233,276	$ 555,612	$ 1,560,972	$ 1,536,837
Add: Amortization of deferred capital contributions	3,225	137,592	-	140,817	140,544
Total revenue	775,309	370,868	555,612	1,701,789	1,677,381
Expense (Note 16)	(745,251)	(542,732)	(77,770)	(1,365,753)	(1,310,868)
Excess (deficiency) of revenue over expense	$ 30,058	$ (171,864)	$ 477,842	$ 336,036	$ 366,513

Other revenues in the amount of $555,612 (2007 - $613,132) represent service contract revenue, rental income, sale of curriculum and other miscellaneous revenue.

Note 15 Investment Income

	June 30, 2008	June 30, 2007
Investment earnings- restricted	91,474	71,883
Investment earnings- unrestricted	456,946	431,600
Add amounts transferred from deferred contributions (Note 8)	85,825	17,034
Less amounts transferred to deferred contributions (Note 8)	(91,474)	(71,883)
Total investment income recognized as revenue	$ 542,771	$ 448,634

Note 16 Expense by Function

	June 30, 2008	June 30, 2007
Instruction	$ 12,258,866	$ 11,213,579
Facilities operations and maintenance	6,504,315	5,560,813
Academic support	4,623,072	4,460,829
Institutional support	4,134,024	3,349,138
Student services	2,680,096	2,551,461
Computing, network and communications	1,795,932	1,501,721
Sales, rentals and services (Note 14)	1,365,753	1,310,868
	$ 33,362,058	$ 29,948,409

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services include all activities or services to the student body of the institution. Institutional support includes all activities that provide institution-wide support to other programs.

Note 17 Salaries, Wages and Benefits

The salary and benefit disclosure is provided pursuant to Treasury Board Directive 04/07 and includes only the salaries and benefits of those individuals in the senior decision making group of the College.

	2008				2007
	Base Salary(1)	Other Cash Benefits(2)	Other Non-cash Benefits(3)	Total	Total
Board of Governors	$ 35,695	$ -	$ 913	$ 36,608	$ 26,447
President (4)	$ 136,968	1,209	26,897	165,074	165,030
Vice-President					
Academic	112,832	5,391	25,148	143,371	143,673
College Services	117,089	492	25,879	143,460	124,660
Dean:					
Academic Upgrading(5)	103,560	168	23,425	127,153	126,052
University and Health Professions	104,648	788	25,047	130,483	136,695
Business, Industry & Human Service Careers	116,664	356	25,278	142,298	136,731
Student Services (7)	110,088	732	23,709	134,529	150,368
Senior Director:					
Property and Ancillary Services (6) (7)	-	-	-	-	136,782
Finance Services	98,592	4,764	23,997	127,353	115,281
External Relations(8)	81,749	-	22,777	104,526	-

(1) Base salary includes pensionable base pay, except for the President and Board who are not subject to pension benefits.

(2) Other cash benefits include wellness pay-outs, health spending accounts, vacation payments and lump sum payments.

(3) Other non-cash benefits include the College's share of all employee benefits including Canada Pension Plan, Employment Insurance, pensions, health care, dental coverage, group life insurance, and accidental death and dismemberment insurance and any cash disbursements with respect to vehicle allowances.

(4) 2007 amounts include President Emeritus for July 2006 and August 2006.

(5) This position was vacant from June 6, 2007 to June 30, 2007.

(6) This position was deleted from the senior decision making group effective June 1, 2007.

(7) 2007 amounts include a vacation payout in other cash benefits.

(8) This position became effective September 4, 2007.

Note 18 Changes in Non-cash Working Capital

	June 30, 2008	June 30, 2007
Accounts receivable	$ (54,651)	$ 127,382
Inventories	(129,095)	72,979
Prepaid expenses	56,551	49,185
Accounts payable and accrued liabilities	1,283,422	(72,576)
Accrued vacation pay	87,472	153,613
Unearned revenue	(43,846)	37,544
Deferred contributions	(521,949)	1,044,982
Deferred capital contributions	-	(13,883)
Security deposits held	6,392	11,132
	$ 684,296	$ 1,410,358

Note 19 Supplies and Services

	June 30, 2008	June 30, 2007
Supplies and services	$ 1,318,339	$ 1,360,494
Contracted services	2,461,299	1,802,498
Leases and rentals	416,364	400,531
Advertising and marketing	531,450	496,101
Materials and supplies	1,519,491	999,649
Educational contracts	1,905,270	1,851,091
	$ 8,152,213	$ 6,910,364

Note 20 Funds held on Behalf of Others

The following funds, held by the College on the behalf of others, are not included in these financial statements.

	June 30, 2008	June 30, 2007
Northern Alberta Development Council	$ 30,465	$ 21,150
Other funds held	35,828	13,921
	$ 66,293	$ 35,071

Note 21 Commitments

Future minimum annual lease payments under operating leases are:

2009	$ 452,577
2010	415,018
2011	319,328
2012	83,964
	$ 1,270,887

Note 22 Related Parties

(i) Alberta Government and Alberta Post-Secondary Education Institutions

The College is a Provincial Corporation. All of the members of the Board of Governors are appointed pursuant to the *Post Secondary Learning Act* by a combination of orders by the Lieutenant Governor in Council or the Minister of Advanced Education and Technology. In accordance with the accounting policy described in Note 2 (f), the College accounts for all significant costs related to the services for which it is responsible.

In the normal course of operations, the College engages in brokerage and other collaborative arrangements with other post secondary educational institutions in Alberta. These institutions are also Provincial Corporations.

The College had the following transactions with related parties:

	Alberta Government		Post Secondary Collaboration	
	2008	2007	2008	2007
Revenues:				
Grants and other provincial government contributions	$ 25,841,689	$ 23,031,415	$ -	$ -
Contract Programs	406,160	-	30,369	122,609
Amortization of deferred capital contributions	1,353,380	1,298,402		-
Other sales, services and rental income	274,573	312,745	2,358	-
Expenses	94,865	12,401	875,251	1,001,771
Accounts receivable	288,544	15,294	24,469	11,060
Accounts payable	-	498	458,412	192,934
Deferred contributions	3,044,524	3,111,620	-	-
Unamortized deferred capital contributions	23,565,024	24,677,244	-	-

(ii) On December 18, 1998, the Lieutenant Governor in Council approved the establishment of a corporation, to be owned equally by Northern Lakes College, Portage College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the *Alberta Business Corporations Act*.

The Corporation was created for the purpose of holding jointly developed intellectual property to be transferred from Her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Advanced Education and Technology. As at June 30, 2008 this Corporation was not active and held no assets.

(iii) The College participates in offering certain courses with other Alberta post secondary education institutions. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations at fair value.

Note 23 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Advanced Education and Technology. The College Budget for the year ended June 30, 2008 was approved by the Board of Governors on June 14, 2007. The budget for CCEC was approved on January 24, 2008 by the CCEC Board.

	2008			
	College Approved Budget	CCEC Approved Budget	Elimination for Consolidation	Total Budget
Revenue:				
Grants	$ 24,726,233	$ 117,000	$ (79,500)	$ 24,763,733
Tuition and related fees	4,393,904		-	4,393,904
Sales, rentals and services	1,441,274	15,750	-	1,457,024
Contract programs	98,900			98,900
Investment income	351,000	15,650	-	366,650
Gain on disposal of capital assets	6,000		-	6,000
Donations and contributions	194,400	14,000	-	208,400
Miscellaneous	500		-	500
Amortization of deferred capital contributions	1,300,000	-	-	1,300,000
	32,512,211	162,400	(79,500)	32,595,111
Expense:				
Salaries, wages and benefits	20,419,747		-	20,419,747
Supplies and services	6,885,868	137,125	(79,500)	6,943,493
Amortization	2,100,000		-	2,100,000
Utilities	1,119,945	500	-	1,120,445
Facilities rental	372,855		-	372,855
Cost of goods sold	614,500		-	614,500
Travel	694,096	10,550	-	704,646
Repairs and maintenance	260,200		-	260,200
Scholarships and bursaries	45,000	14,225	-	59,225
	32,512,211	162,400	(79,500)	32,595,111
Excess (deficiency) of revenue over expense	$ -	$ -	$ -	$ -

Note 24 Pension Costs

The College participates in the multi-employer Management Employees Pension Plan and Public Service Pension Plan. The expense for these pension plans is equivalent to the annual contributions of $1,310,981 for the year ended June 30, 2008 (2007 - $1,124,350).

At December 31, 2007, the Public Service Pension Plan reported a deficiency of $92,070,000 (2006 - surplus of $153,024,000).

At December 31, 2007, the Management Employees Pension Plan reported a deficiency of $84,341,000 (2006 - deficiency of $6,765,000).

Note 25 Comparative Figures

Certain comparative amounts have been reclassified where necessary to conform to the current year's financial statement presentation.

Note 26 Academic Programs in Northwest Alberta

On May 14, 2008, the Minister of Alberta Advanced Education and Technology announced changes to post-secondary academic program delivery and stewardship for students in northwest Alberta. When the transition is complete, learners in the northwest Alberta region will be served by shared stewardship between Grande Prairie Regional College and Northern Lakes College.

Certain assets, liabilities, net assets, revenue and expenses of Northern Alberta Institute of Technology will be transferred to Northern Lakes College effective the date of the transition, currently expected to be July 1, 2009. The impact on the consolidated financial statements of Northern Lakes College is not known at this time.

Note 27 Subsequent Event

Subsequent to June 30, 2008, the College has signed a Project Management Agreement with the Town of Slave Lake to provide project management to construct affordable student housing at the College's Slave Lake campus. The Town of Slave Lake received a grant of $3,153,297 during the year from Alberta Municipal Affairs and Housing, which will be used to pay a maximum of 70% of the project costs, with the College being responsible for the remainder of the project costs.

Note 28 Contingent Liabilities

The College has been named as the defendant in two legal claims (2007 - nil claims). The loss, if any, arising from these claims is not determinable.

Note 29 Approval of Financial Statements

These financial statements were approved by the Board of Governors on November 18, 2008.

OLDS COLLEGE

FINANCIAL STATEMENTS

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

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AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Olds College

I have audited the statement of financial position of Olds College, as at June 30, 2008 and the statements of operations and changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
October 2, 2008

STATEMENT OF FINANCIAL POSITION

OLDS COLLEGE

AT JUNE 30, 2008

		2008		2007
ASSETS				
Current				
Cash and short term investments (Note 3)	$	1,046.039	$	1,445,743
Accounts receivable (Note 4)		3,784,310		8,552,902
Inventories (Note 5)		468,414		470,862
		5,298,763		10,469,507
Investments (Note 3)		45,077,571		31,170,074
Capital assets (Note 6)		46,986,116		32,919,261
	$	97,362,450	$	74,558,842
LIABILITIES AND NET ASSETS				
Current				
Accounts payable and accrued liabilities	$	12,620,207	$	7,158,141
Current portion of long-term obligations (Note 7)		193,941		187,069
Unearned revenue (Note 8)		1,660,072		1,601,011
Deferred contributions (Note 9)		5,040,823		4,236,327
Accrued vacation pay		2,171,843		2,008,355
		21,686,886		15,190,903
Deferred capital contributions (Note 9)		19,720,699		18,911,401
Long-term obligations (Note 7)		3,094,790		3,288,731
Unamortized deferred capital contributions (Note 10)		35,634,351		21,119,337
		80,136,726		58,510,372
Net assets				
Unrestricted net assets		1,351,436		808,978
Internally restricted (Note 11)		761,927		637,193
Invested in capital assets		8,063,038		8,324,127
Endowments (Note 12)		7,049,323		6,278,172
		17,225,724		16,048,470
	$	97,362,450	$	74,558,842

- - - - The accompanying notes are part of these financial statements. - - - -

STATEMENT OF OPERATIONS OLDS COLLEGE

FOR THE YEAR ENDED JUNE 30, 2008

	2008 Budget (Note 23)	2008 Actual	2007 Actual
Revenue			
Grants, Province of Alberta (Note 20)	$ 22,841,790	$ 23,176,228	$ 21,151,526
Other grants and training contracts	2,103,381	2,496,513	2,085,722
Tuition and related fees	6,076,026	5,938,618	5,368,647
Sales, rentals and other services (Note 13)	5,363,082	6,133,250	5,496,971
Investment earnings (Note 14)	668,975	1,137,517	1,170,047
Donations	787,000	1,590,538	1,069,733
Amortization of deferred capital contributions	1,800,000	1,725,494	1,543,551
Gain on disposal of capital assets	-	2,376	-
	39,640,254	42,200,534	37,886,197
Expense			
Salaries and benefits (Note 16)	25,384,333	25,763,723	23,546,400
Supplies and services	7,460,374	9,026,418	7,746,674
Scholarships and bursaries	222,500	341,797	290,330
Cost of goods sold	2,056,199	2,118,607	2,077,198
Utilities	1,336,848	1,573,700	1,359,849
Amortization of capital assets	3,180,000	3,089,934	2,876,384
Loss on disposal of capital assets	-	-	13,397
	39,640,254	41,914,179	37,910,232
Excess (deficiency) of revenue over expense	$ -	$ 286,355	$ (24,035)

- - - - The accompanying notes are part of these financial statements. - - - -

STATEMENT OF CHANGES IN NET ASSETS

OLDS COLLEGE

FOR THE YEAR ENDED JUNE 30, 2008

	2008					2007
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 11)	Investment in Capital Assets (Note 6)	Endowments (Note 12)	Total Net Assets	Total Net Assets
Excess (deficiency) of revenue over expense	$ 286,355	$ -	$ -	$ -	$ 286,355	$ (24,035)
Endowments contributions	-	-	-	742,398	742,398	466,097
Recapitalized endowment earnings	-	-	-	28,753	28,753	60,788
Board restrictions	(76,344)	76,344	-	-	-	-
Internally funded:						
Acquisition of capital assets	(916,282)	-	916,282	-	-	-
Repayment of long-term debt	(187,069)	-	187,069	-	-	-
Amortization of capital assets	1,364,440	- -	(1,364,440)	-	-	-
Increase (decrease) in net assets	471,100	76,344	(261,089)	771,151	1,057,506	502,850
Net asset balance, beginning of year	808,978	637,193	8,324,127	6,278,172	16,048,470	15,545,620
Opening adjustment effective July 1, 2007 (Note 2)	71,358	48,390	-	-	119,748	-
Net asset balance, end of year	$ 1,351,436	$ 761,927	$ 8,063,038	$ 7,049,323	$ 17,225,724	$ 16,048,470

FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
Operating activities		
Excess (deficiency) of revenue over expense	$ 286,355	$ (24,035)
Add (subtract) non cash items in operating activities		
Amortization of deferred capital contributions	(1,725,494)	(1,543,551)
Amortization of capital assets	3,089,934	2,876,384
Unrealized gain on financial instruments (Note 2)	(407,722)	-
Adjustment for fair market value evaluation (Note 2)	210,082	-
Disposal of externally funded assets	-	(10,128)
(Gain) loss on disposal of capital assets	(2,376)	13,397
	1,450,779	1,312,067
Net change in non-cash working capital (Note 17)	11,176,138	(303,989)
Cash flow from operating activities	12,626,917	1,008,078
Investing activities		
Purchase of long-term investments, net	(13,499,775)	(15,902,266)
Purchase of externally funded capital assets	(16,236,508)	(7,607,605)
Purchase of internally funded capital assets	(916,282)	(1,485,846)
Proceeds from disposal of capital assets	2,376	10,132
Cash applied to investing activities	(30,650,189)	(24,985,585)
Financing activities		
Repayment of long-term debt	(187,069)	(181,514)
Capital contributions received	17,039,486	17,169,141
Endowments contributions received	771,151	526,885
Cash generated from financing activities	17,623,568	17,514,512
Decrease in cash and short term investments	(399,704)	(6,462,995)
Cash and short term investments, beginning of year	1,445,743	7,908,738
Cash and short term investments, end of year	$ 1,046,039	$ 1,445,743

- - - - The accompanying notes are part of these financial statements. - - - -

Note 1 Authority

Olds College (the College) operates under the *Post-secondary Learning Act* of the Province of Alberta.

The College is a public institution preparing individuals for business management, production and technical careers in agriculture, horticulture and land management. In addition to granting diplomas and certificates, the College offers other programs in a variety of formats for the learning needs of the greater community.

The College is a registered charity and is exempt from payment of income tax under Section 149 of the *Income Tax Act* of Canada.

Note 2 Significant Accounting Policies

(a) General and Use of Estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates have been made using judgments determined by management. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below.

(b) Change in Accounting Policy

Effective July 1, 2007, Olds College implemented the new financial instrument standards as described in CICA Handbook Section 3855 – Financial Instruments Recognition and Measurement and Section 3861 – Financial Instruments Disclosure and Presentation. The new standards require that financial instruments classified as held-for-trading be measured at fair market value instead of cost.

Adjustments as a result of the new standards have been recorded in opening net assets, deferred contribution and accrued liabilities as of July 1, 2007.

As a not-for-profit organization, Olds College has elected to not apply the standards for embedded derivatives in non-financial contracts.

(b) Change in Accounting Policy (continued)

Olds College has classified significant financial assets and liabilities as follows:

- Cash, short term and long term investments are classified as held for trading and initially recorded cost and measured at fair market value for reporting purposes. Olds College uses the settlement date for purchases and sales of investments. All costs associated with the purchase and sale of investments are expensed when incurred.
- Accounts receivable are classified as loans and receivables and measured at amortized cost.
- Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost.

(c) Financial Instruments

Cash, short term and long term investments are recorded at fair market value. Gains and losses are reflected in investment income or deferred contributions based on the classification of the cash or investment principle to which the gain or loss was generated.

Financial instruments at Olds College are exposed to credit, currency, interest rate and market risk. Credit risk is the probability of collecting monies owed. Currency risk is the exposure to fluctuations in the value of foreign currency held by Olds College. Interest rate risk is a risk that result from changes interest rates. Market risk arises from fluctuations and volatility in the market value of long-term investments.

Olds College has credit and investment policies in place to minimize the impact of the above noted risks on earnings.

(d) Inventories

Inventories held for resale are valued using the first in first out method at the lower of cost and net realizable value. Livestock and feed inventory is valued at net realizable value.

Note 2 Significant Accounting Policies (continued)

(e) Capital Assets

The Province of Alberta, Department of Infrastructure and Transportation transferred land, certain buildings and renovations to the College. The land is recorded at April 1978 fair value and the buildings and renovations and certain library materials are recorded at April 1978 depreciated replacement cost as determined by an independent appraisal. The Province of Alberta has been granted an option to purchase the whole or any part of the transferred land, buildings, and renovations for $1 per purchase.

Capital assets are recorded at cost. Donated capital assets are recorded at approximate fair value when a fair value can be reasonably determined. Capital assets, once placed into service, are amortized on a straight-line basis over the following estimated useful lives:

Site improvements	10-40 years
Buildings	15-40 years
Leasehold Improvements	25 years
Furnishings, equipment and computer hardware	2-15 years

(f) Revenue Recognition

Revenue is recognized at the following times:

- Revenues for tuition fees, services and products - when services or products are delivered
- Operating grants - in period receivable or, where a portion of the grant relates to a future period, deferred and recognized in the subsequent period
- Unrestricted investment income – when earned for interest, dividends, and realized gains and losses; unrealized gains or losses on investments classified as held for trading are recognized with a resulting change in market values
- Restricted contributions – based on the deferral method
- Unrestricted contributions – when received
- Pledges – when received or receivable if collection is reasonably assured

Restricted Contributions – deferral methods

Contributions, including investment income earned on contributions, that are restricted for purposes other than endowments or acquisition of capital assets, are deferred and recognized as revenue when the contribution conditions are met.

Endowment contributions are recorded as direct increases in endowment net assets. Endowment investment earnings, under agreement with donor to be allocated to endowment principle, are recognized as direct increases in endowment net assets. Endowment investment earnings not allocated to endowment principle, are deferred and recognized as revenue when endowment conditions are met.

Note 2 Significant Accounting Policies (continued)

(f) Revenue Recognition (continued)

Contributions, including investment income earned on contributions, to acquire capital assets with limited life are recorded as deferred capital contributions when received. Unrealized gains or losses on contributions as a result of market value changes are also recorded as deferred contributions. Contributions expended are transferred to unamortized deferred capital contributions and amortized to revenue equal to the related amortization expense of the funded capital assets.

(g) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

Note 3 Investments, Cash and Short Term Investments

Effective July 1, 2007, cash and investments are reflected at market value as financial instruments held for trading. Olds College holds investments in a portfolio that is managed with the intention of selling to generate investment earnings. As a result of the reclassification, a $210,082 gain on financial instruments has been reflected as an increase to investments, deferred contributions and deferred capital contributions.

An additional $197,640 of unrealized gains has been recognized as investment income as a result of market value increases from July 1, 2007 to June 30, 2008.

Note 3 Investments, Cash and Short Term Investments (continued)

Cash and investment are summarized as follows:

	2008		2007	
	Cost	Market Value	Cost	Market Value
Cash	$ 956,335	$ 956,335	$ 5,265,671	$ 5,265,671
Short term investments	24,119,091	24,119,091	13,925,004	13,925,004
Fixed income - bonds and deposit notes	7,712,013	7,605,980	3,845,164	3,767,539
Equities and income trusts	12,928,449	13,442,204	9,579,978	9,883,865
Cash & Investments	45,715,888	46,123,610	32,615,817	32,842,079
Less amounts reported as cash and short term investments	1,046,039	1,046,039	1,445,743	1,445,743
Total Long-Term Investments	$ 44,669,849	$ 45,077,571	$31,170,074	$ 31,396,336

Cash and short term investments are comprised primarily of cash on deposit and guaranteed investment certificates with maturity dates between 30 days and one year. The amount held as long-term investments represents funds not available for current operations.

The terms of the bond portfolio range from 1 year to 15 years. The average term is 9 years, with an effective yield on the bond portfolio of 5.21% (2007 – 5.19%).

The Board of Governors, through its Administrative Services Committee, monitors the performance of the investment portfolio. The prime objective and guiding principles of the College's investment policy is to enhance the value of the funds, and at the same time provide a dependable, increasing source of income to support the operating budget, while preventing undue exposure to risk. The four criteria that guide the College's investment policy are safety, growth, liquidity and congruence with our mission. The investments are managed on a day-to-day basis by College staff and an external investment manager.

In accordance with the investment policy, market risk is managed by:

- allowing funds to be invested in fixed income, short-term and equity investments at an asset mix ratio not to exceed 65%, 30%, 65% respectively
- ensuring investment ratings are at or above "R-1 or "A-1" for market securities, "BBB" for bonds and "P3" for preferred shares
- stating the risk tolerance for the equity portfolio is moderate
- ensuring that no more than 10% of the total portfolio is invested within one issuer or company

Note 4 Accounts Receivable

	2008	2007
Grants		
- Alberta Advanced Education & Technology	$ -	$ 5,800,000
Contract revenue	2,052,882	1,522,706
Tuition	912,217	245,077
Goods & Service Tax	538,897	374,115
Prepaid expenses	280,314	326,758
Investment revenue	-	284,246
	$ 3,784,310	$ 8,552,902

Note 5 Inventories

	2008	2007
Livestock, feed and supplies	$ 297,534	$ 312,318
Bookstore merchandise and other	170,880	158,544
	$ 468,414	$ 470,862

Note 6 Capital Assets

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 2,338,318	$ -	$ 2,338,318	$ 2,338,318
Site improvements	3,096,488	1,121,065	1,975,423	1,864,110
Buildings	60,121,812	36,768,347	23,353,465	16,032,977
Leasehold improvements	65,593	-	65,593	65,593
Furnishings and equipment	19,065,642	12,306,833	6,758,809	5,704,619
Construction in progress	12,494,508	-	12,494,508	6,913,644
	$ 97,182,361	$ 50,196,245	$ 46,986,116	$ 32,919,261

Note 6 Capital Assets (continued)

Capital assets have been funded as follows:

	2008	2007
Unamortized deferred capital contributions	$ 35,634,351	$ 21,119,337
Internally funded investment in capital assets	8,063,038	8,324,127
Long-term debt	3,288,727	3,475,797
	$ 46,986,116	$ 32,919,261

Olds College has several capital construction projects in progress. Assets under construction and not available for use at June 30, 2008 have not been amortized and are classified as construction in progress.

Capital assets received as donations in kind have a fair value of $4,000 (2007 - $739,060).

Note 7 Long-term Debt

The College acquired long-term debt to finance the construction of student residence town houses. Phase one construction was completed during September 1998 and Phase Two was completed in September 1999.

Phase one is partially funded through a debt instrument amortized over 15 years ending June 11, 2018, with a monthly resetting banker's acceptance interest rate. This rate was 3.15% at June 30, 2008 (2007 - 4.377%).

Phase two is funded through a debenture from Alberta Capital Finance Authority that is due April 1, 2024 and has a fixed interest rate of 5.75%.

The College also purchased 613 acres of farm land during February 2003. This land was partially funded through a 5.625% fixed interest rate debenture from Alberta Capital Finance Authority that is due February 14, 2018. This loan is secured by the farm land.

Note 7 Long-term Debt (continued)

June 30, 2008 long-term debt:

	Principal Repayments						
	Current	2010	2011	2012	2013	2014	Future Years
Phase One	$ 85,000	$ 96,000	$ 96,000	$ 104,000	$ 108,000	$ 113,000	$ 514,000
Phase Two	62,447	66,038	69,835	73,851	78,097	82,588	1,137,737
Farm land	46,494	49,109	51,871	54,789	57,871	61,126	280,877
	$ 193,941	$ 211,147	$ 217,706	$ 232,640	$ 243,968	$ 256,714	$ 1,932,614

Interest of $185,471 (2007 - $196,925) has been charged to expense during the year.

The College entered into an interest rate swap in 2003, a derivative financial instrument, for risk management purposes. The interest rate swap is used to manage the College's exposure to fluctuations in interest rates with its phase one student residence long-term debt. The College is not using hedge accounting for this interest rate swap. Therefore, the interest rate swap is recorded on the statement of financial position at its fair value. Gains or losses are recorded on the statement of operations.

The notional amount of the interest rate swap at June 30, 2008 is $1,116,000 (2007 - $1,200,000) at a fixed interest rate of 5.09% which expires in 2018. The fair value of the interest rate swap is a liability of $41,541 (2007 asset balance - $12,780). Fair value is determined by the College's financial institution which has arranged the interest rate swap.

Note 8 Unearned Revenue

	2008	2007
Tuition fees	$ 1,180,804	$ 666,919
Program delivery/Extension services	315,612	631,306
Research	94,642	241,011
Other	69,014	61,775
	$ 1,660,072	$ 1,601,011

Note 9 Deferred Contributions and Capital Contributions

Deferred contributions and capital contributions represent restricted funds received for future operating and capital activity.

	2008	2007
Contributions received:		
Grants, Province of Alberta	$ 15,194,532	$ 14,907,085
Other grants and contributions	991,829	71,840
Investment income	1,548,357	1,130,934
Donations	3,403,879	4,285,648
Transfers to:		
Grants, Province of Alberta	(1,472,075)	(391,412)
Other grants and contributions	(4,000)	-
Sales, rentals and other services	-	(3,862)
Investment income	(306,417)	(186,541)
Donations	(1,590,538)	(1,069,733)
Unamortized deferred capital contributions	(16,240,508)	(7,692,108)
Increase during the year	1,525,059	11,051,851
Balance, beginning of year	23,147,728	12,095,877
Opening balance adjustment (Note 2)	88,735	-
Balance, end of year	$ 24,761,522	$ 23,147,728

The balance at the end of the year is held for the following purposes:

Deferred grant contributions		
Grants - education	$ 1,140,020	$ 793,412
Grants - infrastructure	-	613,000
Grants - research	647,322	167,578
	1,787,342	1,573,990
Deferred donation contributions		
Student awards	1,933,239	1,389,450
Programs	786,945	737,006
Staff development	35,048	38,674
Other	498,249	497,207
	3,253,481	2,662,337
Total deferred contributions	5,040,823	4,236,327
Deferred capital contributions		
Capital construction projects	19,600,866	18,869,259
Program support	119,833	37,080
Research	-	5,062
Total deferred capital contributions	19,720,699	18,911,401
Total deferred contributions and capital contributions	$ 24,761,522	$ 23,147,728

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions are amounts of external capital contributions, used to fund capital asset purchases, which will be recognized as revenue in the future.

	2008	2007
Balance, beginning of year	$ 21,119,337	$ 14,980,908
Disposal of externally funded assets	-	(10,128)
Amount transferred from deferred capital contributions (Note 9)	16,240,508	7,692,108
Amortization of deferred capital contributions	(1,725,494)	(1,543,551)
Balance, end of year	$ 35,634,351	$ 21,119,337

Note 11 Internally Restricted Net Assets

Net assets internally restricted are amounts set aside by the College's Board of Governors that are to be used for only designated purposes. The Board has placed internal restrictions on operating net assets as follows:

	2008	2007
Capital:		
Vehicle capital renewal	$ -	$ 115,000
Non-capital:		
Office of Advancement Projects	663,156	417,011
Extension program development	90,165	95,682
Scholarships	8,606	9,500
	761,927	522,193
	$ 761,927	$ 637,193

Note 12 Endowments

Endowments consist of restricted donations to the College, the principal of which is required to be maintained intact in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors. The 2007/2008 investment income earned on endowments is identified below as Expendable Investment Income Earned. Investment Income Expended is the amount investment income recognized as revenue, equal to expenditures incurred for the purpose of the endowments.

	Principal					
	June 30, 2007 Balance	Donations	Investment Income Capitalized	June 30, 2008 Balance	Expendable Investment Income Earned	Investment Income Expended
Student awards	$ 3,399,677	$ 741,173	$ 5,213	$ 4,146,063	$ 172,306	$ 175,175
Programs	1,146,504	1,225	10,573	1,158,302	44,906	57,664
Faculty Development	1,605,249	-	12,967	1,618,216	51,869	73,578
Other	126,742	-	-	126,742	9,168	-
	$ 6,278,172	$ 742,398	$ 28,753	$ 7,049,323	$ 278,249	$ 306,417

Note 13 Sales, Rentals and Other Services

Sales, rentals and other services revenue are summarized as follows:

	2008	2007
Conference and food services	$ 2,121,938	$ 1,822,950
Residence	1,522,005	1,362,235
Bookstore	799,253	760,150
Farm operations	675,329	573,132
Rentals and other	622,351	572,507
Academic program ancillary	392,374	405,997
	$ 6,133,250	$ 5,496,971

Note 14 Investment Earnings

	2008	2007
Restricted investment income on resources held for endowment	$ 307,002	$ 616,561
Unrestricted investment income	552,851	427,733
Total investment income	859,853	1,044,294
Transfer (to) from deferred donations and endowment interest	306,417	186,541
Amounts credited directly to endowment principal	(28,753)	(60,788)
	$ 1,137,517	$ 1,170,047

Note 15 Pension Expense

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $1,532,147 for the year ended June 30, 2008 (2007 - $1,453,319).

At December 31, 2007, the Local Authorities Pension Plan reported a deficiency of $1,183,334,000 (2006 deficiency - $746,651,000).

Note 16 Salaries and Benefits

The Province of Alberta's Treasury Board Salary and Benefits Disclosure Directive dated December 1998 as amended June 13, 2007 requires the College to disclose certain salaries and benefits. These salaries and benefits are as follows:

Note 16 Salaries and Benefits (continued)

	2008				2007
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Chairman of the Board	$ 8,689	$ -	$ -	$ 8,689	$ 11,960
Board members [4]	32,150	-	-	32,150	22,747
President	185,901	36,854	55,611	278,366	205,759
Vice-President, Academic	147,661	-	71,575	219,236	158,803
Chief Facilities and Planning Officer	144,753	179,850	20,274	344,877	157,630
Vice-President, Student and Support Services	132,897	-	20,651	153,548	138,597
Vice-President, Advancement [5]	119,758	165	15,069	134,992	164,175
	$ 771,809	$ 216,869	$ 183,180	$ 1,171,858	$ 859,671

[1] Base salary includes pensionable base pay.

[2] Other cash benefits include memberships, car allowance, car maintenance and health and wellness allowances. The Chief Facilities & Planning officer received a retiring allowance of $170,102 in 2007/2008.

[3] Other non-cash benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental and vision coverage, group life insurance, employment insurance, tuition fees and accumulated administrative leave.

[4] There were 10 Board Members in 2008 (2007 – 10 Members).

[5] The Vice President, Advancement position was vacant July 1 through August 21, 2007.

Note 17 Net Changes in Non-cash Working Capital

	2008	2007
Decrease (increase) in accounts receivable	$ 4,768,592	$(6,882,778)
Decrease (increase) in inventories	2,448	(38,162)
Increase in accounts payable and accrued liabilities	5,460,469	4,186,530
Increase in deferred contributions	722,080	1,574,820
Increase in unearned revenue	59,061	555,188
Increase in accrued vacation pay	163,488	300,413
	$ 11,176,138	$ (303,989)

Note 18 Funds Held on Behalf of Others

Olds College holds funds in trust for several organizations as follows:

	2008	2007
Student Association	$ 346,273	$ 408,164
Big Country Educational Consortium	1,221,938	897,102
Other	150,933	134,964
	$ 1,719,144	$ 1,440,230

These amounts are not included in the financial statements.

Note 19 Commitments and Contingencies

The College leases copier equipment with various lease terms. The minimum operating lease costs for the balance of the lease terms are:

2009	$125,349
2010	$ 46,625
2011	$ 6,675
2012	$ 5,045
2013	$ 2,190

As at June 30, 2008, the College, as a partner in the Community Learning Campus, has outstanding contractual commitments for the community learning capital project in the amount of $13,566,847.

Note 20 Related Party Transactions

The College is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology. Transactions between the College and the Province are disclosed in the Statement of Operations and Statement of Financial Position and are as follows:

Note 20 Related Party Transactions (continued)

	2008				
	Revenue	Accounts Receivable	Accounts Payable	Deferred Contributions	Deferred Capital Contributions
Operating and Performance grant	$ 20,352,973	$ -	$ -	$ 146,702	$ -
Access & Apprenticeship Funding	1,282,875	(34,820)	-	47,143	81,690
Extension Services grants	413,973	14,390	-	39,017	-
Infrastructure renewal	613,000	-	4,705,519	(613,000)	(521,077)
School of Innovation	145,470	268,524	-	479,776	(4,000)
Miscellaneous grants	367,937	125,413	(132,756)	13,714	-
	$ 23,176,228	$ 373,507	$ 4,572,763	$ 113,352	$ (443,387)

	2007				
	Revenue	Accounts Receivable	Accounts Payable	Deferred Contributions	Deferred Capital Contributions
Operating and Performance grant	$ 18,952,669	$ -	$ -	$ -	$ -
Access Funding	869,475	34,820	-	561,203	(22,253)
Extension Services grants	214,752	-	-	-	-
Infrastructure renewal	613,000	-	5,122,655	613,000	6,453,560
School of Innovation	236,698	1,602	-	(57,469)	-
Miscellaneous grants	264,932	107,259	156,967	(5,058)	-
	$ 21,151,526	$ 143,681	$ 5,279,622	$ 1,111,676	$ 6,431,307

During the year, Olds College had business transactions with Big Country Educational Consortium, Southern Alberta Institute of Technology, Northern Alberta Institute of Technology, Red Deer College, Lakeland College, University of Calgary, University of Alberta and the University of Lethbridge. These transactions were at market prices on normal terms of purchase and sale and have been included in the Statement of Operations.

As part of the new Community Learning Campus joint venture, Olds College has an amount payable to Chinook's Edge School Division in the amount of $9,828,174. The liability is a result of construction in progress on the new Community Learning Campus buildings.

Note 21 Community Learning Campus Joint Venture

Olds College and Chinook's Edge School Division have formed a joint venture to enhance rural learning opportunities by developing an environment that provides students with a seamless transition between high school, college, university, apprenticeship trades and the workplace.

The Community Learning Campus will see the development of a new high school, health and wellness facility, fine arts and multi-media center, e-learning center and bus maintenance facility on the Olds College Campus. The high school, fine arts and multi-media center and bus maintenance facility will be owned by Chinook's Edge School Division. The health and wellness facility and e-learning center will be owned by Olds College. The land for the Community Learning Campus will continue to be owned by Olds College.

Olds College has received a $29 million commitment from Alberta Advanced Education and Technology in support of the project. At June 30, 2008, the $29 million of funding has been received and is reflected in deferred capital contributions. Construction costs completed and in progress to June 30, 2008 total $20,177,082 and are reflected in the financial statements. The entire $57 million project is anticipated to be operational for the 2009/2010 academic year.

Note 22 Comparative Figures

Certain 2007 figures have been reclassified to conform to the 2008 presentation.

Note 23 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Advanced Education and Technology. The College budget for the year ended June 30, 2008 was approved by the Board of Governors on May 24, 2007 and approved by the Minister of Advanced Education and Technology on July 27, 2007.

Note 24 Approval of Financial Statements

The Board of Governors approved these financial statements.

PORTAGE COLLEGE
Financial Statements

For the year ended June 30, 2008

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Portage College

I have audited the statement of financial position of Portage College as at June 30, 2008 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 26, 2008

PORTAGE COLLEGE

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2008

	2008	2007
ASSETS		
Current:		
Cash and cash equivalents (Note 3)	$ 2,055,449	$ 5,952,994
Accounts receivable (Note 5)	5,942,475	3,319,350
Inventories (Note 6)	216,175	206,671
Prepaid expenses	72,968	80,122
	8,287,067	9,559,137
Non-current cash and cash equivalents (Note 3)	9,503,716	5,588,569
Long-term investments (Note 4)	949,078	869,092
Capital assets (Note 7)	41,999,420	33,951,190
	$ 60,739,281	$ 49,967,988
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 1,369,053	$ 1,130,324
Accrued vacation pay	1,390,465	1,192,438
Unearned revenue (Note 8)	327,284	235,862
Deferred contributions (Note 9)	1,367,673	4,018,060
	4,454,475	6,576,684
Deferred capital contributions (Note 10)	8,587,637	4,842,057
Unamortized deferred capital contributions (Note 11)	37,855,150	30,014,541
	50,897,262	41,433,282
Net assets:		
Unrestricted net assets	1,903,399	927,104
Internally restricted net assets (Note 12)	2,963,926	2,983,926
Invested in capital assets	4,118,099	3,936,648
	8,985,424	7,847,678
Endowments (Note 3)	856,595	687,028
	9,842,019	8,534,706
	$ 60,739,281	$ 49,967,988

The accompanying notes and schedule 1 are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
REVENUE		
Grants and provincial government contributions (Note 20)	$ 19,501,340	$ 18,975,846
Tuition and related fees	2,721,606	2,882,005
Contract income	1,852,666	1,537,969
Sales, rentals and services (Note 13)	2,116,041	2,087,565
Donations and contributions	111,458	101,866
Investment income (Note 14)	302,956	382,649
Miscellaneous	358,153	194,442
	26,964,220	26,162,342
Amortization of deferred capital contributions (Note 11)	990,738	988,586
	27,954,958	27,150,928
EXPENSE		
Salaries, wages and benefits (Note 16)	17,622,473	16,176,411
Supplies and services	6,999,225	7,040,208
Utilities	727,981	711,807
Scholarships and bursaries	160,747	127,665
Amortization of capital assets	1,648,043	1,718,030
	27,158,469	25,774,121
EXCESS OF REVENUE OVER EXPENSE, BEFORE EXTRAORDINARY (GAIN) LOSS	796,489	1,376,807
EXTRAORDINARY (GAIN) LOSS (Note 25)	(367,856)	-
EXCESS OF REVENUE OVER EXPENSE, AFTER EXTRAORDINARY (GAIN) LOSS	$ 1,164,345	$ 1,376,807

The accompanying notes and schedule 1 are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	2008					2007
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 12)	Invested in Capital Assets	Endowments (Note 3)	Total	Total
Excess of revenue over expense	$ 796,489	$ -	$ -	$ -	$ 796,489	$ 1,376,807
Extraordinary gain (Note 25)	394,012		(26,156)		367,856	$ -
Endowment contributions received				109,867	109,867	116,573
Unrealized gain on investment - Adoption of new financial instruments accounting standard (Note 2)	34,210				34,210	-
Transfers for:						
Reclass endowment funds received in prior period (Note 3)	(38,200)	(20,000)		58,200	-	-
Reclass interest earned on endowment funds in prior period (Note 3)	(2,609)				(2,609)	-
Reclass endowment funds incorrectly recorded as deferred contributions in prior period (Note 3)				1,500	1,500	-
Amortization of internally funded capital assets	683,460		(683,460)		-	-
Acquisition of internally funded capital assets	(891,334)		891,334		-	-
Net book value of capital assets disposed	267		(267)		-	-
ncrease (decrease) in net assets	976,295	(20,000)	181,451	169,567	1,307,313	1,493,380
let assets, beginning of year	927,104	2,983,926	3,936,648	687,028	8,534,706	7,041,326
let assets, end of year	$ 1,903,399	$ 2,963,926	$ 4,118,099	$ 856,595	$ 9,842,019	$ 8,534,706

he accompanying notes and schedule 1 are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
Operating activities:		
Excess of revenue over expense	$ 796,489	$ 1,376,807
Non-cash transactions		
Amortization of deferred capital contributions (Note 11)	(990,738)	(988,586)
Amortization of capital assets	1,648,043	1,718,030
Reclass interest earned on endowment funds in prior period	(2,609)	-
(Gain) loss on sale of capital assets	23,598	23,797
	1,474,783	2,130,048
Changes in non-cash working capital (Note 18)	(4,747,682)	1,043,404
Cash generated (used) from operating activities	(3,272,899)	3,173,452
Investing activities:		
Net (increase) in non-current cash and cash equivalents	(3,915,147)	(4,478,526)
Net (purchases) sales of investments	(45,776)	(74,798)
Acquisition of capital assets - internally funded	(891,334)	(1,100,982)
Acquisition of capital assets - externally funded	(8,831,349)	(3,666,786)
Proceeds on sale of capital assets	2,810	10,600
Cash used in investing activities	(13,680,796)	(9,310,492)
Financing activities:		
Capital contributions (Note 10)	12,576,927	8,205,372
Endowment contributions	109,867	116,573
Reclass endowment funds incorrectly recorded as deferred contribution in prior period (Note 3)	1,500	-
Gain related to extraordinary item (Note 25)	367,856	-
Cash generated from financing activities	13,056,150	8,321,945
(Decrease) increase in cash and cash equivalents	(3,897,545)	2,184,905
Cash and cash equivalents, beginning of year	5,952,994	3,768,089
Cash and cash equivalents, end of year	$ 2,055,449	$ 5,952,994

The accompanying notes and schedule 1 are part of these financial statements.

PORTAGE COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Note 1 Authority and Purpose

Portage College (the "College") operates under the authority of the Post Secondary Learning Act, ChapterP-19.5, Statutes of Alberta, 2003. The College is a registered charity, and under Section 149 of the Income Tax Act is exempt from payment of incomes taxes.

The College primarily serves communities in North Eastern Alberta with its main campus in Lac La Biche and with community campuses throughout its service region. The College provides instruction and training to assist adult learners through learning and employment foundations, career entry training in business, human services, health services, trades, first and second year university transfer courses through its University Studies program as well as workforce development in response to emerging learning needs.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

In preparing the College's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Management believes its estimates to be appropriate, however, actual results could differ from these estimates.

(a) Change in Accounting Policy

Effective July 1, 2007 the College implemented new financial instrument standards as described in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement; and Section 3861 – Financial Instruments – Disclosure and Presentation. The College does not use hedge accounting and accordingly, is not impacted by the requirements of Section 3865, Hedges. As permitted for Not-for-Profit Organizations, the College has elected not to apply the standards for embedded derivatives (elements of contracts whose cash flows move independently from the host contract) in non-financial contracts.

Certain transitional adjustments have been reflected in opening net assets and long-term investments as of July 1, 2007 (transitional date) for the change in accounting for financial assets classified as available-for-sale and measured at fair value, rather than cost, as at the commencement of the current fiscal year. The opening balance of long-term investments as at July 1, 2007 was increased by $92,351 to reflect the net appreciation in the fair value of long-term investments. The ending balance $34,210 is reported as an unrealized gain in long-term investments with the adoption of new financial reporting standards in 2008 (see schedule below).

Net Unrealized Gains on Available-for-Sale Investments:

	2008	2007
Net unrealized losses on available-for-sale investments arising during the year	$ (12,365)	$ -
Net purchases of available-for-sale investments during the year	(45,776)	-
Decrease in unrealized gain on available-for-sale investments	(58,141)	-
Balance, July 1, 2007	92,351	-
Balance, end of year	$ 34,210	$ -

Upon implementation of the new standards, the College has classified its significant financial assets and financial liabilities as follows:

- Cash and short-term investments are classified as held for trading, and are recorded at fair value with changes in fair value recorded through the excess of revenue over expense in each period.
- Long-term investments are classified as available-for-sale, and are measured at fair value with subsequent gains or losses included in net assets or deferred contributions until the asset is removed from the statement of financial position.
- Accounts receivable are classified as loans and receivables. The fair values of accounts receivables approximate their carrying value due to the relatively short period to maturity of the financial instrument.
- Accounts payable and accrued liabilities and employee benefits liabilities are classified as other financial liabilities. The fair values of other financial liabilities approximate their carrying value due to the relatively short period to maturity of the financial instrument.

(b) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and contributions are recognized as revenue in the period received or when receivable.

Note 2 Significant Accounting Policies and Reporting Practices

(ii) Restricted Contributions

Externally restricted non-capital grants and contributions are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets, that are not subject to amortization, are recorded as deferred capital contributions in the period in which they are received and, when expended, are recognized as direct increases in net assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

(iii) Donations

Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

(iv) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts is determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(c) Inventories

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Capital Assets and Collections

Capital assets are recorded at cost, except donated assets which are recorded at fair value, when fair value can be reasonably determined.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	20 - 40 years
Trailers	20 years
Furniture, vehicles and other equipment	5 - 10 years
Learning resources	5 - 10 years
Computer equipment	4 years
Computer software	5 years
Rental books	2 years
Leasehold improvements	Life of lease

Artwork collections are recorded at cost and not amortized. Donated artwork collections are recorded at fair value, when determinable.

(e) Pension Plan Expense and Obligation

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. These pension plans are multi-employer defined benefit pension plans, that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the cost of employer contributions for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(f) Financial Instruments

The fair value of the College's accounts receivable, accounts payable and accrued liabilities, and accrued vacation pay are valued in accordance with the methods as described in Note 2 (a).

Financial instruments of the College are exposed to credit risk, interest rate risk, foreign exchange risk and market risks. The College's accounts receivables are due from a diverse group of customers and are subject to normal credit risk. The interest rate risk is the risk that the College's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates. The foreign exchange risk is the risk of rising costs related to the purchase transactions in United States currency and the reduction of amount collected for receivables which are due in United States currency. The market risk is to the College's earnings that arise from the fluctuation and the degree of volatility in the market value of long-term investments. Each of these risks is limited through the College's collection procedures, investment guidelines and other internal policies, guidelines and procedures.

(g) Fixed income and marketable equity securities

Fixed income and marketable equity securities are classified as available-for-sale (investments held for long-term capital appreciation and generation of income), and are measured at fair value at each reporting date. Fair values for publicly traded securities are based on the closing market prices. The College utilizes settlement date accounting for all purchases and sales of financial assets in its investment portfolio. Fixed income securities are initially recognized at acquisition cost (purchase price plus transaction costs), which reflects any premium or discount at date of purchase, and carried at fair value. Marketable equity securities are also initially recognized at acquisition cost, and subsequently measured at fair value.

(h) Investment Earnings

(i) The College recognizes dividend and interest revenue as earned, and investment gains and losses when realized. Realized gains and losses represent the difference between the amounts recognized through sales of investments and their respective cost base, as well as the amounts provided for as a write-down due to impairment. Unrealized gains and losses on available-for-sale securities attributed to endowment net assets are recorded in deferred contributions. Unrealized gains and losses on available-for-sale securities attributed to other net assets are recorded in the statement of changes in net assets, and are recognized in the statement of operations when realized.

(ii) Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

(iii) Unrestricted investment income is recognized in the year it is earned.

Note 3 Cash and cash equivalents and Endowments

	2008		2007	
	Carrying Value	Market Value	Carrying Value	Market Value
Consolidated Cash Investment Trust Fund	$ 891,019	$ 891,019	$ 2,145,192	$ 2,145,192
Treasury Bills	133,802	133,802	138,126	138,126
Cash	10,534,344	10,534,344	9,258,245	9,258,245
	11,559,165	11,559,165	11,541,563	11,541,563
Held as non-current cash and cash equivalents	(9,503,716)	(9,503,716)	(5,588,569)	(5,588,569)
Held as cash and cash equivalents	$ 2,055,449	$ 2,055,449	$ 5,952,994	$ 5,952,994

The Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on the prevailing market interest rates.

Cash and short term investments are recorded at market value.

Treasury bills mature within one year.

The amount held as non-current cash and cash equivalents represents funds not available for current operations and includes endowments and net assets internally restricted for capital purposes, as outlined below.

	2008	2007
Endowments (1)	$ 856,595	$ 687,028
Board restricted capital funds (Note 12)	59,484	59,484
Deferred Capital Contributions (Note 10)	8,587,637	4,842,057
	$ 9,503,716	$ 5,588,569

(1) Endowments are comprised of the following:

	2008	2007
Board of Governors Award	$ 400,000	$ 400,000
Trans Canada-Student Bursary	25,000	25,000
Northlands Park Achievement Award	20,000	20,000
Alberta Pacific Bursary	20,000	20,000
Myrna Fox Scholarhip (2)	6,200	-
Pow Wow scholarship (2)	5,000	-
Dave Rob wellness award (2)	2,000	-
Bayer award (3)	1,500	-
Quality of Life award (2)	20,000	-
Flight Seargent Kirby Memorial Award (2)	25,000	-
Xerox- Outstanding Business Careers Student Award	3,000	3,000
Alberta Pacific Native Cultural Arts Award	2,000	2,000
Fundraising Scholarship	326,895	217,028
	$ 856,595	$ 687,028

Of the net assets restricted for endowment purposes, $527,200 (2007- $447,500) is subject to externally imposed restrictions stipulating that the resources be maintained permanently. The Board of Governors has internally restricted $329,395 (2007 - $239,528) of unrestricted net assets to be held for endowment purposes. The purpose of the endowments are to award student scholarships and bursaries.

Interest earned on endowment in 2007 in the amount of $2,609 was incorrectly recorded as unrestricted net assets; reclassed in 2008 offset to deferred contribution.

(2) Endowments received in 2007 incorrectly recorded in unrestricted net assets; reclassed in 2008 offset to deferred contributions.

(3) Endowments received in 2007 incorrectly recorded as deferred contributions; reclassed in 2008 offset to endowment.

Note 4 **Investments**

	2008		2007	
	Cost Base	Market Value	Cost Base	Market Value
Government of Canada bonds	$ 285,781	$ 296,122	$ 305,682	$ 303,543
Provincial bonds	198,844	202,041	135,754	136,600
Corporate bonds	110,370	110,271	131,321	130,411
Equities	319,871	340,644	296,335	390,889
	$ 914,866	$ 949,078	$ 869,092	$ 961,443

The College recognizes the need to effectively manage all financial resources. The College employs cash and fund management practices in order to maximize the amounts available for investment. Donations and surplus cash will be invested in order to maximize return while minimizing loss.

The Board of Governors has approved investment guidelines on asset mix, diversification, quality, liquidity and nature of securities, and term constraints.

On July 1, 2007 the College adopted the new accounting standards for Financial Instruments. Long-term investments classified as available-for-sale and measured at fair value, rather than cost base. Cost base includes the cost of the investments net of unamortized premiums or discounts, and a provision for investments that a have decline in market value below cost that is other than temporary. For 2007, the recorded value is the cost base. For 2008, the recorded value is the market value.

Government of Canada bonds have a weighted average term to maturity of 6.6 years (2007 - 6.64 years) and stated interest rate of 3.8% (2007 - 4.18%). The average effective yield on these securities is 4.22% (2007 - 4.20%).

Provincial bonds have a weighted average term to maturity of 9.7 years (2007 - 12.16 years) and stated interest rate of 5.27% (2007 - 5.29%). The average effective yield on these securities is 4.18% (2007 - 4.36%).

Corporate bonds have a weighted average term to maturity of 4.4 years (2007 - 4.53 years) and stated interest rate of 5.04% (2007 - 5.06%). The average effective yield on these securities is 4.76% (2007 - 4.63%).

Term to maturity of bonds is based upon the contractual maturity of the security. Effective yields represent the rate that discounts future cash receipts to the carrying value at June 30, 2008. Risk is reduced by the requirement that all bonds must be rated "A" or better by the Dominion Bond Rating Service or an equivalent recognized rating agency.

Note 5 Accounts Receivable

	2008	2007
Accounts receivable	$ 5,942,475	$ 3,457,802
Allowance for doubtful accounts	-	(138,452)
	$ 5,942,475	$ 3,319,350

Note 6 Inventories

	2008	2007
General Store	$ 181,330	$ 165,346
Cafeteria supplies	19,065	22,533
Printing supplies	9,103	12,232
Other	6,677	6,560
	$ 216,175	$ 206,671

Note 7 Capital Assets

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings and site improvements	$ 32,915,026	$ 6,825,255	$ 26,089,771	$ 26,780,161
Land	500,000	-	500,000	500,000
Rental books	504,514	435,919	68,595	38,871
Computer equipment	3,914,159	3,154,612	759,547	669,450
Furniture	33,946	31,483	2,462	3,908
Vehicles	939,547	588,565	350,983	278,717
Other equipment	2,229,807	902,241	1,327,566	1,068,717
Learning resources	681,434	510,286	171,148	192,714
Trailers	712,775	295,468	417,307	481,910
Computer software	1,243,039	1,172,527	70,512	67,504
Artwork	314,750	-	314,750	314,750
Leasehold improvements	569,413	564,548	4,866	3,682
Work in Progress	11,921,914	-	11,921,914	3,550,806
	$ 56,480,323	$ 14,480,903	$ 41,999,420	$ 33,951,190

The College's art collection is comprised of:

(a) Native Cultural Arts Museum Collection

The Native Cultural Arts Museum Collection consists of Aboriginal artwork, which have been collected from across Canada and the United States. The majority of artwork was purchased from artists and dealers. Students, staff and guest instructors have donated numerous pieces to the Collection. Articles from the Collection are used for displays, both on and off campus, and for instructional support in the Native Cultural Arts programs. All artwork in the Collection is numbered, photographed and described in the Collection records.

(b) Other Artwork

The College has also acquired, either through purchases or donations, other artwork, which are displayed throughout the College's buildings. Approximately 85% of artwork displayed depicts native heritage. The mediums include watercolour, silk-screens, black and white photography, color photography and reproduced prints. The remainder of the display depicts the surrounding areas and peoples of Lac La Biche.

Note 8 Unearned Revenue

	2008	2007
Contract programs	$ 80,605	$ 32,437
Tuition fees	246,679	186,431
Other	-	16,994
	$ 327,284	$ 235,862

Note 9 Deferred Contributions

	2008	2007
Restricted contributions received during the period:		
Conditional grants	$ 12,631,822	$ 14,454,004
Restricted endowment investment income (Note 14)	35,662	26,832
Donations and contributions	-	1,000
	12,667,484	14,481,836
Transferred to revenue:		
Conditional grants	(2,720,926)	(3,251,111)
Restricted endowment investment income (Note 14)	(20,018)	(12,247)
Donations and contributions	-	(500)
	(2,740,944)	(3,263,858)
Transferred to deferred capital contributions (Note 10)	(12,576,927)	(8,205,372)
Increase (decrease) during the year	(2,650,387)	3,012,606
Balance, beginning of year	4,018,060	1,005,454
Balance, end of year	$ 1,367,673	$ 4,018,060

Deferred contributions at the end of the year are restricted for the following purposes:

	2008	2007
Deferred maintenance	$ 51,543	$ 473,008
Program funding	983,174	1,302,983
Student scholarships and bursaries	257,299	41,654
One time equipment and facility funding	75,657	2,200,415
	$ 1,367,673	$ 4,018,060

Note 10 Deferred Capital Contributions

	2008	2007
Transferred from deferred contributions (Note 9)	$ 12,576,927	$ 8,205,372
Transferred to unamortized deferred capital contributions (Note 11)	(8,831,347)	(3,666,786)
Increase during the year	3,745,580	4,538,587
Balance, beginning of year	4,842,057	303,470
Balance, end of year	$ 8,587,637	$ 4,842,057

Note 11 Unamortized Deferred Capital Contributions

	2008	2007
Balance, beginning of year	$ 30,014,541	$ 27,336,341
Transferred from deferred capital contributions (Note 10)	8,831,347	3,666,786
Less amount amortized to revenue	(990,738)	(988,586)
Balance, end of year	$ 37,855,150	$ 30,014,541

Note 12 Internally Restricted Net Assets

Net assets internally restricted by the Board represent amounts set aside by the College's Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without approval of the Board.

	2008	2007
Capital:		
Campus Development Fund	55,470	55,470
Housing Development Fund	4,014	4,014
	$ 59,484	$ 59,484
Operating:		
Furnishings, equipment and renovations	$ 600,000	$ 600,000
E-learning Technology	600,000	600,000
Program Development	391,875	391,875
Student Scholarship and Bursary Investment Fund	350,000	350,000
Facility Development Fund	300,000	300,000
Program Enhancement Fund	250,000	250,000
Professional Services - Transition Fund	234,479	234,479
Financially Assisted Education Leave	100,000	100,000
Emergency Facility Repair	78,088	78,088
Student Needs - Quality of life (Note 3)	-	20,000
	2,904,442	2,924,442
	$ 2,963,926	$ 2,983,926

Note 13 Sales, Rentals and Services

	Revenue	Direct Expense	2008 Net	2007 Net
Food Services	$ 598,091	$ 649,137	$ (51,046)	$ 6,703
Housing	783,601	694,466	89,135	16,021
General Store	701,169	603,172	97,997	223,608
Community Use	33,180	49,606	(16,426)	(9,720)
	$ 2,116,041	$ 1,996,381	$ 119,660	$ 236,612

In addition to the direct expenses, facility amortization related to sales, rentals and services for the year was $186,304 (2007 - $186,304). This allocation was calculated based on square footage occupied.

Note 14 Investment Income

	2008	2007
Investment earnings	$ 318,600	$ 397,234
Add amounts transferred from deferred contributions (Note 9)	20,018	12,247
Less amounts transferred to deferred contributions (Note 9)	(35,662)	(26,832)
Total investment income recognized as revenue	$ 302,956	$ 382,649

Note 15 Expense by Function

	2008	2007
Instruction - Credit	$ 9,562,020	$ 9,388,230
Instruction - Non-Credit	654,482	532,469
Facilities operations and maintenance	4,992,346	5,007,905
Institutional support	3,460,794	3,040,844
Academic support	2,333,277	2,094,182
Student services	2,650,830	2,517,817
Ancillary services (Note 13)	2,182,685	2,035,095
Computing, network and communications	1,293,239	1,145,973
Fund raising	28,796	11,606
Total Expenses before extraordinary item	$ 27,158,469	$ 25,774,121

Instruction encompasses all formal education and instructional program elements. Facilities operations and maintenance includes all costs of the daily operations of the buildings occupied by the College, property taxes and amortization on capital equipment and buildings. Institutional support includes all activities that provide institution-wide support to other programs. Academic support includes all activities that directly support the education and instruction elements such as academic administration, library and audio-visual services. Student services includes all activities or services to the student body of the institution such as counselling, recreation and registrar's office. Ancillary services includes direct and indirect costs of operating food services, native artwork sales, community use, housing and general store. Computing, network and communications includes all costs expended to maintain the College's hardware and software. Fund raising includes guest speaker honoraria, event promotion and all other direct costs associated with the events.

Note 16 Salaries, Wages and Benefits

The following information is prepared in accordance with Treasury Board Directive 04-07:

	2008				2007
	Base Salary(1)	Other Cash Benefits(2)	Other Non Cash Benefits(3)	Total	Total
Board Chair	$ -	$ 1,936	$ -	$ 1,936	$ 1,936
Board Members (13 members)	-	10,492	171	10,663	8,340
President (4)	156,229	1,046	117,362	274,637	201,736
Vice President Academics	127,032	-	27,100	154,132	145,563
Vice President Student and College Services	127,032	-	27,100	154,132	143,271
Dean Community and Industry Training (5)	103,729	13,849	26,442	144,020	130,030
Dean Health, Business and Human Services	111,089	-	25,448	136,537	130,901
Dean Learning and Technologies	110,316	-	24,573	134,889	122,617
Director Student Services	106,584	-	25,683	132,267	115,221
Director Finance and Administration	87,000	-	22,197	109,197	101,824
Director St. Paul Region	106,956	-	25,780	132,736	123,012
Director Cold Lake Region (6)	96,468	-	23,862	120,330	98,260

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include bonuses, overtime, lump sum payments, honoraria, contract earnings and pay in lieu of benefits.

(3) Other non cash benefits include the College's share of all employee benefits and contributions or payments made on behalf of employees, including pension, health care, dental coverage, vision coverage, out of country medical insurance, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional and club memberships and professional development.

(4) The President's other cash (footnote 2) or non-cash benefits (footnote 3) include standard benefits available to all College employees as well as additional items negotiated in his contract including: professional development allotment, memberships and severance agreement. Of the $117,362 in the President's non-cash benefits, $47,586 is due to an error of not including full accrual of a new severance agreement that came into effect in the prior year. The new severance agreement provided for additional compensation. An automobile was also provided, with no dollar amount included in the other non cash benefits figure.

(5) The position of Dean of Community and Industry Training was occupied by two incumbents during the 2007 and two months in 2008, thereafter, the position was held by one incumbent.

(6) This is a new position that was created 2006-07. The incumbent started in August 2006.

Note 17 Pension Costs

The College participates in two multiemployer pension plans, the Public Service Pension Plan (PSPP) and the Management Employees Pension Plan (MEPP). The expense for these plans is $1,232,525 for the year ended June 30th, 2008 (2007 - $1,061,550).

Public Service Pension Plan

At December 31, 2007, the PSPP reported a deficiency of $92,070,000. (2006 - Surplus - $153,024,000).

Management Employee Pension Plan

At December 31, 2007, the MEPP reported a deficiency of $84,341,000. (2006 -Deficiency- $6,765,000).

Note 18 Changes in Non-cash Working Capital

	2008	2007
Accounts receivable	$ (2,623,124)	$ (2,283,761)
Inventories	(9,504)	(31,869)
Prepaid expenses	7,154	5,936
Accounts payable and accrued liabilities	238,730	332,918
Accrued vacation pay	198,027	96,132
Unearned revenue	91,422	(88,558)
Deferred contributions	(2,650,387)	3,012,606
	$ (4,747,682)	$ 1,043,404

Note 19 Commitments

Future minimum annual lease payments under operating leases and other commitments are:

2009	$ 140,213
2010	$ 117,401
2011 and thereafter	$ 35,897

Note 20 Related Parties

a) Significantly Influenced Organizations

(i) Lac La Biche Childcare Association

The College exercises significant influence over the Lac La Biche Childcare Association (the "Childcare Association") through a contractual arrangement whereby the children of students of the College are given priority placement and a maximum enrolment fee of $875 (2007 - $785) per child per month.

The Childcare Association is incorporated under the Societies Act of the Province of Alberta and exists to provide daycare services to Lac La Biche and surrounding communities.

The College, as owner of the buildings, provides the Childcare Association, at no charge, the space needed to operate a daycare, caretaking services, repairs, heating, lighting, telephone, parking spaces, furniture and equipment. For the year ended June 30, 2008, the College incurred related expenses of $145,878 (2007 - $129,400) on behalf of the Childcare Association, which are reflected in the College's statement of operations.

The College also provides $42,119 (2007 - $41,823) annually to the Childcare Association to subsidize its operations. Upon expiry of the contract on June 30, 2010, the College may enter into contract negotiations with the Lac La Biche Childcare Association to renew the daycare contract.

(ii) Portage Aquatic Association

The Portage Aquatic Association (the "Aquatic Association") was incorporated under the Alberta Business Corporations Act. It operates the Aquatic Centre with the objective to encourage, promote and provide aquatic training and recreational opportunities to prospective patrons. The College has an agreement with the Aquatic Association to make available aquatic training and recreational opportunities to College staff and students.

As of July 1, 2005, the College entered into a contractual agreement with the Aquatic Association, Lakeland County and the Town of Lac La Biche in which the College contributes annually a lump sum of $156,559 (2007 - $147,697) to fund the annual operation of the pool. The term of this agreement is from July 1, 2005 to June 30, 2008. On August 1, 2007 the Town of Lac La Biche and Lakeland County amalgamated forming Lac La Biche County. All parties remain signatories to this agreement. A six month contract extension for the period July 1, 2008 to December 31, 2008 was signed between the College, Aquatic Association and Lac La Biche County. Under the terms of the extension the College will contribute $82,977 to fund operating costs for the Aquatic Centre. All other terms of the agreement expiring on June 30, 2008 were carried into the six month contract extension. Contract negotiations are underway to renew the tripartite agreement beyond December 31, 2008.

In this agreement, the Aquatic Association has the ability to contract out maintenance. For the year ended June 30, 2008 the Aquatic Association chose not to contract maintenance back to the College. Annual janitorial, management and other maintenance costs are no longer paid by the College. The College continues to own the building and recognized amortization in the amount of $45,602 (2007 - $45,602) for the current year.

The College paid $13,933 (2007 - $14,218) in user fees to the Aquatic Centre for use of pool facilities for students and to provide recreational programming for the year ended June 30, 2008.

At June 30, 2008, the accounts receivable balance include an amount of $9,465 (2007 - $12,970) owing from the Aquatic Centre for power usage and other purchases from the College.

b) Alberta Government and Alberta Post Secondary Education Institutions

The College is a Provincial Corporation. All of the members of the Board of Governors are appointed pursuant to the Post Secondary Learning Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology.

In the normal course of operations, the College engages in brokerage and other collaborative arrangements with other post-secondary educational institutions in Alberta. These institutions are also Provincial Corporations.

The College had the following transactions with related parties:

	Alberta Government	
	2008	2007
Grants Received or Receivable:		
Advanced Education:		
Operating contributions	$16,787,717	$15,724,735
Conditional contributions	5,469,548	10,868,602
Other provincial departments and agencies	6,828,035	3,398,332
Contributions received during the year	29,085,300	29,991,669
Conditional contributions deferred from prior years	8,818,431	1,275,278
Less contributions deferred at the end of the year	(1,310,374)	(3,976,406)
Less transfers to deferred capital contributions	(17,418,984)	(8,508,843)
Less transfers to accrued liabilities	-	-
Earned Government of Alberta contributions	19,174,373	18,781,698
Grants from other sources	326,967	194,148
Total Grants	$ 19,501,340	$ 18,975,846

	Alberta Government		Post Secondary Collaboration	
	2008	2007	2008	2007
Contract income	$ 711,041	$ 157,806	$ 165,415	$ 13,977
Expenses	$ 10,828	$ 42,400	$ 107,343	$ 109,306
Accounts receivable	$ 4,552,628	$ 2,468,174	$ 97,781	$ 99,706
Accounts payable	$ -	$ 716	$ 4,546	$ 2,438

Note 20 Related Parties (continued)

c) Joint Venture

On December 18, 1998, the Lieutenant Governor in Council approved the establishment of a corporation, to be owned equally by Portage College, Northern Lakes College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the Alberta Business Corporations Act.

The Corporation was created for the purpose of holding jointly developed intellectual property transferred from her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Advanced Education and Technology. The fair value of the intellectual property transferred is not determinable. As at June 30, 2008, the Corporation is active.

d) Cold Lake Building Project

Portage College is in partnership with the City of Cold Lake in the construction and operation of a joint use facility in the City of Cold Lake. The new facility is expected to be commissioned in August 2008 in time for the 2008-09 school year in which we would begin operations. The College is responsible to construct 2,700 square meters in total. Of these 2,700 square meters 2,365 is classroom and office space which Portage College will have sole right to access. The remaining 335 square meters is space that is being jointly constructed and operated. This shared space includes the entrances, common hallways and a food court style cafeteria. Portage College does not own the land but has secured a lease for 40 years with options to renew for periods of 5 years each. The budget for construction is currently $14,239,194 and is funded by Advanced Education and Technology. All costs incurred to date have been set up as work in progress within these financials statements.

Portage College has protected its interests in the construction and joint operation of the Cold Lake facility through three governance agreements entitled: College Ground Lease, Joint Development Agreement and Multi-Use Campus Operating, Management, Maintenance and Use. These agreements define cost sharing, decision making and dispute resolution.

Note 21 Contingent Liability

There are two unresolved claims against the College. While the outcome of these claims cannot be predicted at this time, it is the opinion of management that the resolution of these claims will not have a material effect on the financial statements of the College, and has not been reflected in these statements.

Note 22 Budget Comparison

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Advanced Education and Technology for his approval. The Board of Governors approved the College's 2007-08 Budget on April 19th, 2007.

	Actual	Budget	Variance
Revenue:			
Grants and provincial government contributions	$ 19,501,340	$ 18,220,964	$ 1,280,376
Tuition and related fees	2,721,606	3,284,213	(562,607)
Contract income	1,852,666	1,106,218	746,448
Sales, rentals and services	2,116,041	1,969,610	146,431
Donations and contributions	111,458	128,831	(17,373)
Investment income	302,956	210,000	92,956
Miscellaneous	358,153	192,300	165,853
	26,964,220	25,112,136	1,852,084
Amortization of deferred capital contributions	990,738	933,615	57,123
	27,954,958	26,045,751	1,909,207
Expense:			
Salaries, wages and benefits	17,622,473	16,775,340	847,133
Supplies and services	6,999,225	6,597,599	401,626
Utilities	727,981	711,910	16,071
Scholarships and bursaries	160,747	144,425	16,322
Amortization of capital assets	1,648,043	1,548,607	99,436
	27,158,469	25,777,881	1,380,588
Excess of revenue over expense, before extraordinary item	$ 796,489	$ 267,870	$ 528,619

Note 23 Funds Held on Behalf of Others

The following funds, held by the College on the behalf of others, are not included in these financial statements:

	2008	2007
Portage Aquatic Association	$ 78,954	$ 119,055
Faculty Association	154,184	147,940
Employee Funded Leave	25,713	30,046
Other Funds Held	101,649	129,320
Security Deposits Held	17,581	13,881
	$ 378,081	$ 440,242

Note 24 Comparative Figures

Certain comparative amounts have been reclassified where necessary to conform to the current year's financial statement presentation.

Note 25 Extraordinary Item

On June 7, 2008 a fire destroyed a modular classroom facility at the Frog Lake Community Campus. Replacement of the facility, contents and related expenses is estimated to be $485,000. The net book value of the modular classroom facility is $26,156 and related expenses is $90,988 resulting in an extraordinary gain of $367,856. The facility and its contents are insured. An insurance claim has been filed, and once finalized, the 2008 recorded estimates will be adjusted and reflected in the 2009 financial statements. The College relocated an existing modular classroom facility to the Frog Lake Community Campus as a temporary measure to minimize disruption in program delivery.

Note 26 Subsequent Events

On August 16 , 2008 a fire damaged a modular classroom facility at the Goodfish Lake Community Campus. The net book value of the modular classroom facility, including contents is approximately $50,000. The damaged facility and its contents are insured. An insurance claim has been filed, and once finalized, will be reflected in the 2009 financial statements. Replacement value of loss has not yet been determined.

Note 27 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

Schedule 1 Continuing Education Programming

	2008						2007
	Trades, Technical & Safety	Forestry	Health	Computer & Office	Driver	Total	Total
Revenue	$ 706,622	$ 387,922	$ 60,273	$ 226,686	$ 207,108	$ 1,588,611	$ 1,992,059
Less:							
Direct Expenses:							
Salaries, wages and benefits	375,535	202,227	127,775	106,123	17,571	829,231	882,502
Supplies and other expenses	151,841	121,385	44,372	102,820	138,229	558,647	688,095
	527,376	323,612	172,147	208,943	155,800	1,387,878	1,570,597
Indirect costs [1]	110,861	67,136	10,834	44,297	16,417	249,545	306,819
Excess (shortfall) of revenue over expense	$ 68,385	$ (2,826)	$ (122,708)	$ (26,554)	$ 34,891	$ (48,812)	$ 114,643

The College actively works with industry, native communities and other organizations to provide customized training on a cost recovery basis. The College expects Continuing Education departments to cover all direct costs plus an estimated amount to cover indirect costs to deliver these programs - see footnote below.

Any revenues and expenditures related to Continuing Education program delivery can be grouped within any or all of the categories on the statement of operations.

(1) The amounts shown as indirect costs are calculated based on a percentage of gross program revenue on a scale ranging from 0% to a maximum of 20%.

RED DEER COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2008

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Revenue and Expense

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flow

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Red Deer College

I have audited the consolidated statement of financial position of Red Deer College as at June 30, 2008 and the consolidated statements of revenue and expense, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 10, 2008

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2008

	2008	2007
ASSETS		
Current:		
Cash and cash equivalents	$ 4,102,740	$ 1,633,082
Investments (Note 3)	53,744,150	25,180,440
Accounts receivable	3,158,029	1,874,505
Inventories	733,666	940,543
Prepaid expenses	489,474	524,076
	62,228,059	30,152,646
Investments (Note 3)	7,414,153	19,281,027
Art collections (Note 4)	1,316,885	1,316,885
Capital assets (Note 5)	100,112,223	69,809,960
	$ 171,071,320	$ 120,560,518
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 12,142,545	$ 8,652,767
Accrued vacation pay	4,083,713	3,566,017
Unearned revenue	2,074,116	1,899,486
Deferred contributions for operating purposes (Note 6)	12,896,910	11,945,998
Current portion of capital lease obligation (Note 7)	215,653	452,562
Current portion of long-term debt (Note 8)	213,616	244,019
	31,626,553	26,760,849
Long-term portion of capital lease obligation (Note 7)	291,711	358,394
Long-term debt (Note 8)	6,917,250	7,130,867
Deferred contributions for capital purposes (Note 9)	26,140,467	12,410,456
Unamortized deferred capital contributions (Note 10)	78,453,998	49,003,523
	143,429,979	95,664,089
Net assets:		
Endowments (Note 11)	6,255,760	5,633,110
Investment in capital assets and art collections	15,612,322	14,747,676
Internally restricted (Note 12)	1,503,269	1,691,987
Unrestricted net assets		
Accumulated excess of revenue over expenses	2,830,583	2,823,656
Accumulated net unrealized gain on investments	1,439,407	-
	27,641,341	24,896,429
	$ 171,071,320	$ 120,560,518

The accompanying notes are an integral part of these consolidated financial statements.

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE

FOR THE YEAR ENDED JUNE 30, 2008

	Budget (Note 22)	2008	2007
Revenue:			
Grants, Province of Alberta (Note 13)	$ 45,810,000	$ 44,596,792	$ 37,739,181
Educational contracts	1,850,000	2,159,037	2,261,819
Research Grants	485,000	476,328	196,809
Tuition and related fees (Note 14)	16,645,000	16,484,873	16,152,525
Ancillary services (Note 15)	7,342,000	7,589,334	7,473,721
Sales, rentals and services	2,018,000	1,886,604	1,587,295
Investment income (Note 16)	670,000	1,393,813	969,068
Donations and endowment interest	380,000	730,034	686,136
Amortization of deferred capital contributions (Note 10)	2,800,000	3,029,471	2,775,866
	78,000,000	78,346,286	69,842,420
Expense:			
Salaries and benefits (Note 17)	51,170,993	50,176,577	45,006,847
Supplies and services	17,135,007	17,348,799	14,226,659
Utilities	2,075,000	2,477,212	1,964,954
Scholarships and bursaries	310,000	387,884	331,264
Cost of goods sold	2,759,000	2,743,571	2,855,545
Amortization and write down of capital assets	4,550,000	4,529,389	4,514,000
	78,000,000	77,663,432	68,899,269
Excess of revenue over expense	$ -	$ 682,855	$ 943,151

The accompanying notes are an integral part of these consolidated financial statements.

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	2008					2007
	Endowments (Note 11)	Investment in Capital Assets and Art Collections	Internally Restricted (Note 12)	Unrestricted	Total	Total
Beginning of year, as previously stated	$ 5,633,110	$ 14,747,676	$ 1,691,987	$ 2,823,656	$ 24,896,429	$ 23,217,138
Market adjustment for investments as of July 1/07 (Note 21)	249,206	-	-	2,210,151	2,459,357	-
Beginning of year adjusted	$ 5,882,316	$ 14,747,676	$ 1,691,987	$ 5,033,807	$ 27,355,786	$ 23,217,138
Excess of revenue over expense				682,855	682,855	943,151
Market adjustment for investments (Note 21)	(120,640)	-	-	(770,744)	(891,384)	-
Endowments received	397,607	-	-	-	397,607	659,059
Investment income added to endowment principal (Note 16)	96,477	-	-	-	96,477	77,081
Transfers:						
Purchase of capital assets	-	1,687,439	-	(1,687,439)	-	-
Amortization	-	(1,483,726)	-	1,483,726	-	-
Net book value of capital assets disposed or written down	-	(16,192)	-	16,192	-	-
Repayment of long-term debt and capital lease	-	677,125	-	(677,125)	-	-
Allocation from internally restricted net assets	-	-	(188,718)	188,718	-	-
End of year	$ 6,255,760	$ 15,612,322	$ 1,503,269	$ 4,269,990	$ 27,641,341	$ 24,896,429

RED DEER COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
Cash generated from operating activities:		
Excess of revenue over expense	$ 682,855	$ 943,151
Add:		
Amortization and write down of capital assets	4,529,388	4,514,000
Amortization of deferred capital contributions	(3,029,471)	(2,775,866)
	2,182,772	2,681,285
Changes in non-cash working capital (Note 19)	2,712,706	5,408,363
Cash generated from operating activities	4,895,478	8,089,648
Investing activities:		
Acquisition of capital assets and collections		
Internally funded	(1,687,439)	(814,248)
Debenture funded	(534,753)	(689,804)
Externally funded (Note 10)	(32,479,946)	(18,184,416)
Net purchase of investments - current	(26,648,867)	(24,643,933)
Net disposal of investments - long-term	11,905,700	3,686,406
Cash applied to investing activities	(49,445,305)	(40,645,995)
Financing activities:		
Repayment of long-term debt	(244,020)	(241,024)
Repayment of capital lease	(433,105)	(527,723)
Construction payables	992,568	2,197,934
Capital contributions received (including transfers) (Note 9)	46,209,957	13,761,870
Endowments contributions	494,085	736,140
Addition of long-term debt	-	1,500,000
Cash generated from financing activities	47,019,485	17,427,197
Increase (decrease) in cash and cash equivalents	2,469,658	(15,129,150)
Cash and cash equivalents at beginning of year	1,633,082	16,762,232
Cash and cash equivalents at end of year	$ 4,102,740	$ 1,633,082

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 Authority and Purpose

Red Deer College operates under the authority of the Post-Secondary Learning Act, Statues of Alberta 2003, Chapter P-19.5.

The College provides a wide range of quality educational opportunities designed to promote success of learners and the enrichment of life in the communities it serves. The College is mandated to provide certificates, diplomas, applied degrees and a wide variety of non-credit offerings through adult development programs, career-oriented studies, trades training and university undergraduate studies.

The College is exempt from the payment of income tax under Section 149 of the Income Tax Act.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidation

The financial statements include the accounts of the College and the Red Deer College Foundation.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the organization may undertake in the future. Actual results may differ from management's best estimates as additional information becomes available in the future. Significant estimates were made by management with respect to valuation of inventory, estimated useful lives of capital assets, amortization of unamortized deferred capital contributions and deferred pension plan obligations.

(c) Change in accounting policy

Effective July 1, 2008, Red Deer College implemented new financial instrument standards as described in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement; and Section 3861 – Financial Instruments – Disclosure and Presentation. Red Deer College does not use hedge accounting and accordingly, is not impacted by the requirements of Sections 3865, Hedges. As permitted for Not-for-Profit Organizations, Red Deer College has elected not to apply the standards for embedded derivatives (elements of contracts whose cash flows move independently from the host contact) in non-financial contracts.

Certain transitional adjustments have been recorded in opening net assets and deferred contributions as of July 1, 2007 (transitional date) for the change in accounting for financial assets classified as available-for-sale and measured at fair value, rather than cost, as the commencement of the current fiscal year.

Financial assets classified as available-for-sale are measured at fair value with changes in fair values recognized in the Consolidated Statement of Changes in Net Assets or deferred contributions as appropriate until realized, at which time the cumulative changes in fair value are recognized in the Consolidated Statement of Operations.

Upon implementation of the new standards, Red Deer College has classified its significant financial assets and financial liabilities as follows:

- Cash, short-term and long-term investments are classified as available-for-sale, and are measured at fair value with subsequent gains or losses included in net assets or deferred contributions until the asset is removed from the consolidated statement of financial position. A transitional adjustment as of July 1, 2007 is outlined in Note 21.
- Accounts receivable are classified as loans and receivable. After initial fair value measurement, they are measured at amortized cost.
- Accounts payable and accrued liabilities are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost.

(d) Cash and cash equivalents

Cash includes short-term deposits, which are highly marketable securities with a maturity of three months or less when purchased.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(e) Inventories

Inventories of merchandise for resale are valued at the lower of cost and net realizable value. Cost is determined using the retail cost method. Inventories of supplies for consumption are valued at the lower of cost and replacement value. Cost is determined on the first-in, first-out basis.

(f) Investments

Investments are carried at fair market value. Amortization of discount or premium is on a straight-line basis over the life of the investment. Gains or losses on sales of investments are recognized as investment income in the year of sale. Where impairment in the value of the investment is other than temporary, a charge to income will be recognized as an unrealized loss on investments.

As a result of adopting CICA Handbook Section 3855, Red Deer College recorded a non-cash increase of $2,459,357 to net assets and $747,616 to deferred contributions for the change in accounting for financial assets classified as available for sale and measured at fair value rather than cost as at commencement of the current fiscal year

(g) Art Collections

Art collections are recorded at cost except for donated items, which are recorded at fair market value at the time of receipt.

(h) Capital Assets

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings	40 years
Infrastructure	25 years
Pianos	20 years
Land improvements	12 years
Furnishings, equipment and vehicles	10 years
Library books and media	10 years
Computer software	5 years
Computer hardware (acquired prior to 2005)	5 years
Computer hardware and computer leases	3 years

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(i) Financial Instruments

The fair values of Red Deer College's accounts receivable, accounts payable and accrued liabilities are valued in accordance with the methods as described in Note 2 (c).

Financial Instruments of Red Deer College are exposed to credit risk, interest rate risk, foreign exchange risk and market risks. Red Deer College's accounts are due from a diverse group of customer and are subject to normal credit risk. The interest rate risk is the risk to Red Deer College's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates. The foreign exchange risk is the risk of the rising costs related to purchase transactions in United States Currency and the reduction of amount collected for receivables which are due in United States Currency. The market risk is the risk to Red Deer College's earnings that arises from the fluctuation and the degree of volatility in the market value of long-term investments. Each of these risks is limited through Red Deer College's collection procedures, investments guidelines and other internal policies, guidelines and procedures.

(j) Foreign currency translation

Transactions denominated in United States Currency are measured at the average weighted cost of the currency. Monetary assets and liabilities denominated in United States Currency are translated into Canadian dollars at rates of exchange in effect at the date of the balance sheet.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(k) Revenue Recognition

Restricted contributions are recognized as revenue in accordance with the deferral method, as summarized below:

- Contributions, including restricted investment income on endowment net assets are deferred and recognized as revenue in the year in which the conditions of the contribution are met. Unrealized gains and losses on available-for-sale securities attributed to endowment net assets are also recorded in deferred contributions and the statement of changes in net assets.
- Contributions restricted to the acquisition of capital assets having limited life are initially recorded as deferred capital contributions in the period in which they are received or receivable, and when expended are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.
- Endowment contributions are recognized as direct increases in net assets.

Unrestricted contributions are recognized as revenue when received.

- Unrestricted investment income, which includes interest, dividends and realized gains and losses, is recognized as revenue is earned. Unrealized gains and losses on available-for-sale securities attributed to other net assets are recorded in the consolidated statement of changes in net assets, and are recognized in the statement of operations when realized.
- Revenues received for the provision of goods or services are recognized in the period in which the goods are provided or the services rendered or substantially rendered.
- Tuition fees are recognized as revenue when the related instruction is delivered.

(l) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(l) Employee Future Benefits (continued)

Pension cost is disclosed as a part of salaries and benefits and are comprised of the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Local Authorities Pension Plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

The College provides a Supplementary Employees Retirement Plan for certain specified employees of the College. The plan is a defined benefit plan, is non-registered, unfunded and the liability is determined by an actuarial valuation using estimates described in Note 17.

The plan costs are disclosed as part of the salaries and benefits.

Note 3 Investments

Investments are summarized as follows:

	2008	2007
Treasury bills and other	$ 4,395,445	$ 9,017,467
Bonds and coupons	13,735,675	12,027,538
Stocks and equity mutual funds	43,027,183	23,416,462
	61,158,303	44,461,467
Held as long-term investments	(7,414,153)	(19,281,027)
Current portion of investments	$ 53,744,150	$ 25,180,440

The market value of the investments for 2007 was $47,668,440. The cost of the investments for 2008 is $59,204,635.

These investments mature as follows

	Market Value
Non maturing (Stocks and equity mutual funds)	$ 47,422,628
2010	1,478,620
2012	2,332,651
2013	460,166
2014	3,286,607
2015	529,639
2016	542,479
2017	1,845,295
2028	807,883
2029	2,452,335
	$ 61,158,303

The College's fixed income investments of $17,936,689 (2007 - $21,045,005) have an effective interest rate of 4.06% (2007 – 3.98%). The rate of return on the balance of the portfolio, comprised of mutual fund and stock holdings, is dependent on the fund's performance.

Note 4 Art Collections

Art collections represent paintings, sketches and drawings held to further the College's education and research activities.

Note 5 Capital Assets

(a) Summary of Cost and Net Book Value

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and improvements	$ 10,477,427	$ 774,088	$ 9,703,339	$ 9,780,870
Buildings and infrastructure	119,199,129	37,611,345	81,587,784	53,501,457
Furnishings and equipment	15,577,408	8,972,256	6,605,152	5,189,460
Computer hardware	3,303,576	2,571,504	732,072	166,590
Computer software	3,240,446	2,741,562	498,884	168,323
Leases	3,055,961	2,684,947	371,014	464,908
Library books and media	1,624,795	1,179,653	445,142	435,610
Vehicles	499,780	330,944	168,836	102,742
	$ 156,978,522	$ 56,866,299	$ 100,112,223	$ 69,809,960

Included in the buildings and infrastructure total above is work in process of $24,718,614 that has not started to be amortized at year-end.

(b) Donations in Kind

During the year there were donations in kind of equipment in the amount of $50,715 (2007 - $6,544).

Note 6 Deferred Contributions for Operating Purposes

Deferred contributions for operating purposes represent unspent contributions externally restricted for non-capital purposes.

	2008	2007
Contributions:		
Grants	$ 8,579,864	$ 11,133,813
Donations	1,854,529	666,939
Interest (Note 16)	339,880	239,402
	10,774,273	12,040,154
Transfer to deferred capital contributions (Note 9)	(1,170,764)	(1,631,915)
	9,603,509	10,408,239
Transferred to revenue:		
Grants, Province of Alberta	8,308,260	4,561,593
Donations and interest	730,034	686,136
	9,038,294	5,247,729
Increase during the year	565,215	5,160,510
Deferred contributions at beginning of year	11,945,998	6,785,488
Deferred contributions at end of year	12,511,213	11,945,998
Deferred contributions relating to unrealized gain on investments:		
Unrealized gain on investments, beginning of year, as restated (Note 21)	747,616	-
Change in unrealized gain on investments relating to deferred contributions (Note 21)	(361,920)	-
Unrealized gain on investments, end of year	385,696	-
Deferred contributions, end of year	12,896,910	11,945,998

The balance consists of funds restricted for:

	2008	2007
Access / Apprenticeship	$ 5,807,436	$ 8,040,512
Infrastrucuture renewal	3,676,171	2,419,182
Scholarships and bursaries	2,634,183	1,193,992
Other	393,424	292,312
Unrealized gain on investments allocated to deferred contributions	385,696	-
	$ 12,896,910	$ 11,945,998

Note 7 Capital Lease Obligation

Capital lease obligation is comprised of several leases with interest rates ranging from 4.50% to 5.41% that expire from March 2009 to July 2017.

Future minimum lease payments are due in the following fiscal periods as follows:

2009	$ 235,963
2010	81,529
2011	38,218
2012	38,218
2013	38,218
2014 - 2018	152,473
	584,619
Less amount representing interest	(77,255)
	507,364
Less current portion	(215,653)
	$ 291,711

The College has pledged leased assets as security over these obligations. During the year, interest on capital lease obligations amounting to $34,767 (2007 - $38,518) has been expensed to supplies and services.

Note 8 Long-Term Debt

Long-term debt is summarized as follows:

	Principal Outstanding	
	2008	2007
Student residences, debenture repayable in annual blended installments of $216,255 at 6.25% per annum interest, maturing March 2025.	$ 2,225,576	$ 2,298,194
Student residences, debenture repayable in annual blended installments of $179,921 at 6.00% per annum interest, maturing April 2026.	1,948,118	2,007,585
Student residences, debenture repayable in annual blended installments of $107,457 at 4.52% per annum interest, maturing June 2030.	1,488,353	1,527,243
Student residence, debenture repayable in semi-annual blended installments of $52,860 at 5.00% per annum interest, maturing June 2032.	1,468,819	1,500,000
Student residences, debenture repaid	-	41,864
Total long-term debt	7,130,866	7,333,022
Less current portion	213,616	244,019
	$ 6,917,250	$ 7,089,002

Note 8 Long-Term Debt (continued)

The repayment of principal in the next five fiscal years is as follows:

2009	$ 213,616
2010	225,735
2011	238,552
2012	252,105
2013	266,440

The College has provided all proceeds derived directly or indirectly from the operations of the residence buildings as security over these loans under a general security agreement. Included in supplies and services is $408,717 (2007 - $349,373) of interest on long-term debt. Debentures in the amount of $7,130,866 (2007 - $7,333,022) are held with Alberta Capital Finance Authority, which is a related party of the College.

Note 9 Deferred Contributions for Capital Purposes

Deferred contributions for capital purposes represent unspent externally restricted capital funds.

	2008	2007
Contributions:		
Grants	$ 42,076,169	$ 10,300,000
Interest (Note 16)	933,285	507,707
Donations	2,029,739	1,322,248
	45,039,193	12,129,955
Transfer from deferred contributions (Note 6)	1,170,764	1,631,915
	46,209,957	13,761,870
Transfer to unamortized deferred capital contributions (Note 10)	(32,479,946)	(18,184,416)
Increase (decrease) during the year	13,730,011	(4,422,546)
Deferred contributions for capital purposes at beginning of year	12,410,456	16,833,002
Deferred contributions for capital purposes at end of year	$ 26,140,467	$ 12,410,456

The balance consists of funds restricted for:

Facility expansion	$ 26,140,467	$ 12,410,456

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2008	2007
Balance at beginning of year	$ 49,003,523	$ 33,594,973
Add amount transferred from deferred contributions for capital purposes (Note 9)	32,479,946	18,184,416
Less amount amortized to revenue	(3,029,471)	(2,775,866)
	$ 78,453,998	$ 49,003,523

A portion of the deferred capital contributions are in work in progress at year-end therefore no amortization has been taken. See Note 5.

Note 11 Endowments

Endowments are comprised of externally and internally restricted amounts, which are required to be maintained intact except where a donor or the Board of Governors, for internally restricted amounts, agrees to a reallocation for expendable purposes. The terms of certain endowments require the College to maintain the real value of the endowments. Accordingly, a portion of annual investment income earned on the endowment is added to the principal amount. Internally restricted endowments amounted to $846,244 in 2008 (2007 - $855,250).

Note 12 Internally Restricted Net Assets

Net assets internally restricted are held for the following purposes. These amounts are not available for other purposes without the approval of the Board of Governors.

	2008	2007
Innovative instruction fund	$ 243,677	$ 412,986
College sustainability fund	1,237,461	1,237,461
Support Staff Association professional development fund	20,540	41,540
Arts Centre Facility Enhancement	1,591	-
Net assets internally restricted	$ 1,503,269	$ 1,691,987

Note 13 Related Party Transactions

The College is a Provincial Corporation as all the members of the Board of Governors are appointed through the Post-Secondary Learning Act by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology. Transactions between the College and the Province are disclosed as follows in the Consolidated Statement of Revenue and Expense or as part of the deferred contributions balance on the Consolidated Statement of Financial Position:

Fiscal 2007/2008	Grants, Province of Alberta	Research Grants	Deferred Contributions for Operating Purposes	Deferred Contributions for Capital Purposes
Operations grant	$ 36,190,653	$ -	$ -	$ -
Conditional performance	251,844	-	-	-
Access/Apprenticeship	7,728,823	-	5,807,437	-
Infrastructure renewal	131,140	-	3,676,171	-
Expansion Grant	-	-	-	22,934,228
Other	294,332	93,219	188,525	-
	$ 44,596,792	$ 93,219	$ 9,672,133	$ 22,934,228

Fiscal 2006/2007	Grants, Province of Alberta	Research Grants	Deferred Contributions for Operating Purposes	Deferred Contributions for Capital Purposes
Operations grant	$ 32,962,586	$ -	$ -	$ -
Conditional performance	196,897	-	-	-
Access/Apprenticeship	4,274,541	-	8,040,511	-
Infrastructure renewal	-	-	2,419,182	-
Expansion Grant	-	-	-	11,902,749
Other	305,157	9,395	290,605	-
	$ 37,739,181	$ 9,395	$ 10,750,298	$ 11,902,749

During the year, the College conducted business transactions with other public colleges, universities and provincial government departments and agencies. These transactions were entered into on the same business terms as with non-related parties and are recorded at their fair values.

Note 13 Related Party Transactions (continued)

Amounts Paid or Payable:	2008	2007
Alberta Health and Wellness	$ 422,690	$ 381,992
Northern Alberta Institute of Technology	170,937	177,276
Southern Alberta Institute of Technology	72,152	96,687
Amounts Received or Receivable:		
University of Alberta	$ 465,569	$ 421,621
University of Calgary	466,430	354,174

Note 14 Tuition and Related Fees:

	2008		2007	
	Budget	Actual	Budget	Actual
Credit	$ 10,770,000	$ 11,030,966	$ 11,171,000	$ 10,809,200
Apprenticeship	2,450,000	2,395,524	1,690,000	1,986,494
Credit free	3,425,000	3,058,383	2,997,000	3,356,831
Total tuition and related fees	$ 16,645,000	$ 16,484,873	$ 15,858,000	$ 16,152,525

Note 15 Ancillary Services

Ancillary services operations are as follows:

	Revenue	Direct Expense	2008 Net	2007 Net
Bookstore	$ 3,631,161	$ 3,279,350	$ 351,811	$ 397,057
Student residences	2,514,965	2,142,710	372,255	641,831
Child care centres	752,899	708,584	44,315	1,737
Parking	690,309	532,801	157,508	186,168
	$ 7,589,334	$ 6,663,445	$ 925,889	$ 1,226,793

Note 16 Investment Income

	2008	2007
Investment income in the year	$ 2,763,455	$ 1,793,258
Amount earned on deferred capital funds (Note 9)	(933,285)	(507,707)
Amount earned on deferred funds (Note 6)	(339,880)	(239,402)
Investment income on endowments	(96,477)	(77,081)
Investment income - unrestricted	$ 1,393,813	$ 969,068

Note 17 Salaries and Benefits

The salary and benefits disclosure is provided pursuant to a Treasury Board Directive 12/98 as amended and includes only the salary and benefits of those individuals in the senior decision making group of the College.

	2008				2007
	Base Salary (1)	Other Cash Benefits (2)	Other Non Cash Benefits (3)(4)	Total	Total
Chairman of the Board	$ -	$ -	$ -	$ -	$ -
Board members (a)	-	11,692	-	11,692	17,333
President	179,525	-	81,152	260,677	238,602
Executive Vice President Academic	146,630	-	25,285	171,915	159,789
Vice President College Services	147,651	-	26,283	173,934	164,878
Associate Vice President of Community Relations	134,946	2,699	26,842	164,487	163,428
Associate Vice President of Human Resources and Leadership Development	133,981	-	23,027	157,008	151,302
Associate Vice President of Student Services (b)	95,549	71,519	16,669	183,737	51,952
Associate Vice President of Strategic Planning and Research	133,981	-	21,773	155,754	147,473
Associate Vice President of		-			
Marketing and Communications	92,875	-	15,787	108,662	-
	$ 1,065,138	$ 85,910	$ 236,818	$ 1,387,866	$ 1,094,757

(a) Number of members on the Board of Governors 2008 (9) & 2007 (10).
(b) This position was vacant for a period of 9 months in 2007.

(1) Salary includes pensionable base pay.

(2) Other cash benefits include bonuses, overtime, lump sum payments and honoraria.

Note 17 Salaries and Benefits (continued)

(3) Other non-cash benefits include:

- Employer's current and prior service cost of supplementary retirement plan as per note (4) below
- Share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, professional memberships and tuition.
- Employer's share of the cost of additional benefits including sabbaticals or other special leave with pay, travel allowances and club memberships.

(4) Under the supplementary employees retirement plan (SERP), employees may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period. SERP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

Supplementary Employees Retirement Plan

	2008 Service Cost	2007 Service Cost
President	$ 19,000	$ 21,000
Executive Vice President Academic	5,100	4,500
Vice President College Services	6,300	8,800
Associate Vice President of Community Relations	3,800	6,400
Associate Vice President of Human Resources and Leadership Development	4,100	7,200
Associate Vice President of Student Services and International	-	4,900
Associate Vice President of Strategic Planning Research	3,600	4,400
Other employees participating in SERP	6,600	4,300
	$ 48,500	$ 61,500

Note 17 Salaries and Benefits (continued)

The accrued obligation for each employee under the SERP is outlined in the following table:

	Accrued obligation June 30, 2007	Changes in accrued obligation	Accrued Obligation June 30, 2008
President	$ 195,300	$ (14,800)	$ 180,500
Executive Vice President Academic	13,600	2,500	16,100
Vice President College Services	116,300	(15,600)	100,700
Associate Vice President of Community Relations	24,000	(2,700)	21,300
Associate Vice President of Human Resources and Leadership Development	16,400	6,900	23,300
Associate Vice President of Student Servcies	-	-	-
Associate Vice President of Strategic Planning Research	56,100	2,100	58,200
Other Employees Participating in SERP	55,400	(600)	54,800
	$ 477,100	$ (22,200)	$ 454,900

Note 18 Long-term Employee Benefit Liabilities

a) Supplemental Employee Retirement Plan

		2008		2007
Accrued obligation, beginning of year	$	477,100	$	468,200
Current service cost		55,900		61,500
Interest cost		27,800		27,400
Employer payments		-		(1,846)
Accrued obligation, end of year	$	560,800	$	555,254
Accrued obligation		560,800		555,254
Unrecognized actuarial gain		(105,900)		(78,154)
Unamortized obligation (asset)		55,154		(51,546)
Reported liability	$	510,054	$	425,554
Current service cost		48,500		61,500
Interest cost		27,800		27,400
Actuarial loss amortization		8,200		13,800
Total SERP expense	$	84,500	$	102,700

Assumptions at end of year

	2008	2007
Discount rate	6.25%	5.50%
Expected average remaining service life of employee	5	7
Salary escalation rate	4.00%	4.00%

The Plan was approved by the Minister of Advanced Education on May 12, 2005.

Note 18 Long Term Benefit Liabilities (continued)

	2008	2007
Local Authorities Pension Plan	$ 2,816,048	$ 2,449,498
Supplemental Employee Retirement Plan	84,500	102,700
	$ 2,900,548	$ 2,552,198

At December 31, 2007, the Local Authorities Pension Plan reported a deficit of $1.183 billion (2007 - $746.7 million).

Note 19 Changes in Non-Cash Working Capital

	2008	2007
Accounts receivable	$ (1,283,524)	$ (814,733)
Inventories	206,877	48,060
Prepaid expenses	34,602	(73,339)
Accounts payable and accrued liabilities	2,497,210	1,153,093
Accrued vacation pay	517,696	275,591
Unearned revenue	174,630	(340,819)
Deferred contributions	565,215	5,160,510
	$ 2,712,706	$ 5,408,363

Note 20 Commitments and Subsequent Events

Facility Contracts:

The College entered into agreements as follows:

	Obligation entered into prior to June 30, 2008	Obligation entered into subsequent to June 30, 2008
Building Communities Through Learning	$ 18,842,615	$ 350,196
Facilities Maintenance	10,748,028	-
Information Technology	3,332,470	-

The College's operating lease obligations at June 30, 2008 are $104,652 (annual $97,243) expiring June 2009, $167,006 (annual $79,707) expiring June 2010, $34,889 (annual $16,103) expiring August 2010 and $9,274 (annual $3,975) expiring October 2010.

Utility Commitments

In order to manage its exposure to volatility in the electrical and gas industry, the Board of Governors has entered into the following contracts:

Electrical: A 5-year contract, beginning September 21, 2006, at a fixed rate of 5.692 cents per kilowatt-hour.

Gas: A 5-year contract, beginning November 1, 2007 to purchase a portion of the total required natural gas in each month at a fixed price of $7.815/GJ. The remainder of consumed natural gas is purchased at the current market rate.

Based on 2008 consumption the annual costs for electricity and gas respectively for the year ending June 30, 2009 are estimated at $1,131,187 and $1,100,286 (2008 – $1,008,324 and $628,104).

Note 21 Market Adjustment of Investments

	Endowment	Deferred Contributions	Unrestricted	Total
Change in market adjustment during the year	$ (120,640)	$ (361,920)	$ (770,744)	$ (1,253,304)
Market adjustment as of July 01/07	249,206	747,616	2,210,151	$ 3,206,973
Balance market adjustment at June 30/08	$ 128,566	$ 385,696	$ 1,439,407	$ 1,953,669

Note 22 Budget

The budget was approved by the Board of Governors on June 14, 2007 and has not been audited.

Note 23 Comparative Figures

Certain 2007 figures have been reclassified to conform to the 2008 presentation. An increase in construction payables of $2,197,934 has been removed from non-cash working capital on the Consolidated Statement of Cash Flow and listed as a separate item under financing activities to better reflect the actual dollars spent on construction. Accordingly, Note 19 (Changes in Non-Cash Working Capital) has also been lowered by this amount.

Note 24 Approval of Financial Statements

These consolidated financial statements have been approved by the Board of Governors.

The Northern Alberta Institute of Technology

Consolidated Financial Statements

June 30, 2008

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations and Changes in Net Assets

Consolidated Statement of Cash Flow

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of The Northern Alberta Institute of Technology

I have audited the consolidated statement of financial position of The Northern Alberta Institute of Technology as at June 30, 2008 and the consolidated statements of operations and changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
August 22, 2008

The Northern Alberta Institute of Technology

Consolidated Statement of Financial Position

As at June 30, 2008
(in thousands)

	2008	2007
ASSETS		
Current:		
Cash and short-term investments (Note 3)	$ 37,963	$ 16,384
Accounts receivable (Note 4)	8,265	8,315
Contributions and pledges receivable (Note 5)	4,372	3,184
Inventories (Note 6)	3,481	3,587
Prepaid expenses	1,834	1,278
	55,915	32,748
Contributions and pledges receivable (Note 5)	8,568	9,265
Long-term investments (Note 3)	107,439	82,416
Capital assets (Note 7)	257,866	248,525
	$ 429,788	$ 372,954
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 27,781	$ 25,153
Current portion of employee benefit liabilities (Note 8)	16,385	14,828
Unearned revenue	12,485	11,105
Current portion of long-term leases (Note 10)	283	472
Deferred contributions (Note 11)	24,107	16,225
	81,041	67,783
Deferred capital contributions (Note 12)	26,183	10,070
Employee benefit liabilities (Note 8)	1,006	853
Long-term leases (Note 10)	48	273
Unamortized deferred capital contributions (Note 13)	161,449	150,704
	269,727	229,683
Net Assets:		
Invested in capital assets (Note 7)	96,086	97,076
Internally restricted (Note 14)	34,199	7,984
Unrestricted		
Accumulated excess of revenue over expenses	10,087	25,180
Accumulated net unrealized gain on investments (Note 15)	4,359	-
Endowments (Note 16)	15,330	13,031
	160,061	143,271
	$ 429,788	$ 372,954

The accompanying notes are part of these consolidated financial statements.

The Northern Alberta Institute of Technology

Consolidated Statement of Operations and Changes in Net Assets

For the Year Ended June 30, 2008

(in thousands)

	2008						2007
	Unrestricted	Internally Restricted (Note 14)	Accumulated Net Unrealized Gain on Investments (Note 15)	Invested in Capital Assets	Endowment	Total	Total
Revenue							
Grants	$ 170,774	$ -	$ -	$ -	$ -	$ 170,774	$ 147,978
Tuition and other fees	36,528	-	-	-	-	36,528	34,060
Earned revenue programs	36,067	-	-	-	-	36,067	38,277
Ancillary services	22,612	-	-	-	-	22,612	20,148
Amortization of deferred capital contributions	11,381	-	-	-	-	11,381	8,902
Sales, rentals, services and other	5,784	-	-	-	-	5,784	6,162
Fundraising and donations	4,900	-	-	-	-	4,900	3,709
Investment earnings (Note 17)	4,530	-	-	-	-	4,530	5,257
Gain on disposal of capital assets	70	-	-	-	-	70	108
	292,646	-	-	-	-	292,646	264,601
Expense (Note 18)							
Salary and benefits (Note 19)	186,800	-	-	-	-	186,800	164,389
Supplies and services (Note 20)	63,258	-	-	-	-	63,258	56,757
Amortization of capital assets	19,896	-	-	-	-	19,896	17,042
Utilities	8,700	-	-	-	-	8,700	8,221
Scholarships, bursaries and prizes	2,210	-	-	-	-	2,210	2,012
Facilities rentals	1,677	-	-	-	-	1,677	1,036
	282,541	-	-	-	-	282,541	249,457
Excess of revenue over expense	10,105	-	-	-	-	10,105	15,144
Net endowment contributions (Note 16)	-	-	-	-	2,299	2,299	490
Amortization of assets acquired with unrestricted net assets	8,515	-	-	(8,515)	-	-	-
Book value of capital assets disposed	93	-	-	(93)	-	-	-
Repayment of long-term lease	(414)	-	-	414	-	-	-
Purchases of capital assets	(7,276)	(3,344)	-	10,620	-	-	-
Disbursement in previous year subsequently funded by external sources	(42)	3,458	-	(3,416)	-	-	-
Release of internally restricted net assets for current operating activities	1,780	(1,780)	-	-	-	-	-
Board allocation to internally restricted net assets	(27,881)	27,881	-	-	-	-	-
Decrease in net unrealized gain on investments (Note 15)	-	-	(3,902)	-	-	(3,902)	
Change in net asset balance	(15,120)	26,215	(3,902)	(990)	2,299	8,502	15,634
Net asset balance, beginning of year	25,180	7,984	-	97,076	13,031	143,271	127,637
Adjustment effective July 1, 2007 (Notes 2(b), 3(b) and 15)	27	-	8,261	-	-	8,288	-
Net asset balance, end of year	$ 10,087	$ 34,199	$ 4,359	$ 96,086	$ 15,330	$ 160,061	$ 143,271

The accompanying notes are part of these consolidated financial statements.

The Northern Alberta Institute of Technology

Consolidated Statement of Cash Flow

For the Year Ended June 30, 2008
(in thousands)

	2008	2007
Operating Activities		
Excess of revenue over expense	$ 10,105	$ 15,144
Non-cash transactions:		
Amortization of capital assets	19,896	17,042
Gain on disposal of capital assets	(70)	(108)
Amortization of deferred capital contributions	(11,381)	(8,902)
Increase in non-current employee benefit liabilities	153	113
Cash generated from operations	18,703	23,289
Changes in non-cash working capital accounts (Note 21)	11,176	(5,309)
Cash generated from operating activities	29,879	17,980
Investing activities:		
Acquisition of capital assets:		
Externally funded	(17,717)	(27,272)
Internally funded	(7,204)	(9,513)
	(24,921)	(36,785)
Proceeds from disposal of capital assets	163	458
Purchase of long-term investments - net	(19,954)	(13,961)
Cash used in investing activities	(44,712)	(50,288)
Financing activities		
Deferred capital contributions	36,133	28,757
Long-term leases - net	(414)	(472)
Endowment contributions	693	572
Cash generated from financing activities	36,412	28,857
Change in cash and short-term investments	21,579	(3,451)
Cash and short-term investments, beginning of year	16,384	19,835
Cash and short-term investments, end of year	$ 37,963	$ 16,384

The accompanying notes are part of these consolidated financial statements.

Note 1 Authority and Purpose

The Northern Alberta Institute of Technology (NAIT) is a public, board governed technical institute operated in accordance with the *Post-secondary Learning Act, Chapter P-19.5, Statutes of Alberta, 2003*. NAIT is exempt from payment of income tax under Section 149 of the *Income Tax Act*.

NAIT serves primarily central and northwestern Alberta, offering a variety of career programming in credit, noncredit and apprenticeship formats with opportunities for full and part-time delivery. Certificate, diploma, applied degree and baccalaureate degree programs are offered in a range of career fields including business, mechanical and manufacturing, building sciences, health technologies, media and information technologies, natural resources and environment, hospitality and tourism, electrical, electronics and agricultural programming related to land utilization and the care and training of animals.

Note 2 Significant Accounting Policies and Reporting Practices

a) Consolidation and use of Estimates

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of NAIT, the Northern Alberta Institute of Technology Foundation and the Fairview College Foundation.

In preparing NAIT's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Management believes its estimates to be appropriate; however, actual results could differ from these estimates.

b) Change in Accounting Policy

Effective July 1, 2007, NAIT implemented new financial instrument standards as described in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement; and Section 3861 – Financial Instruments – Disclosure and Presentation. NAIT does not use hedge accounting and accordingly, is not impacted by the requirements of Section 3865, Hedges. As permitted for Not-for-Profit Organizations, NAIT has elected not to apply the standards for embedded derivatives (elements of contracts whose cash flows move independently from the host contract) in non-financial contracts.

Certain transitional adjustments have been recorded in opening net assets and deferred contributions as of July 1, 2007 (transitional date) for the change in accounting for financial assets classified as available-for-sale and measured at fair value, rather than cost, as at the commencement of the current fiscal year.

Financial assets classified as available-for-sale are measured at fair value with changes in fair values recognized in the Consolidated Statement of Changes in Net Assets or deferred contributions as appropriate until realized, at which time the cumulative changes in fair value are recognized in the Consolidated Statement of Operations.

Upon implementation of the new standards, NAIT has classified its significant financial assets and financial liabilities as follows:

- Cash and short-term investments are classified as held-for trading, and are recorded at fair value with changes in fair value recorded through the excess of revenue over expense in each period.

- Long-term investments are classified as available-for-sale, and are measured at fair value with subsequent gains or losses included in net assets or deferred contributions until the asset is removed from the consolidated statement of financial position. A transitional adjustment as at July 1, 2007 is outlined in Note 3(b).

- Accounts receivable, contributions receivable and pledges receivable are classified as loans and receivable. After initial fair value measurement, they are measured at amortized cost.

- Accounts payable and accrued liabilities and employee benefit liabilities are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost.

c) Revenue Recognition

Restricted contributions are recognized as revenue in accordance with the deferral method, as summarized below:

- Contributions, including restricted investment income on endowment net assets are deferred and recognized as revenue in the year in which the conditions of the contribution are met. Unrealized gains and losses on available-for-sale securities attributed to endowment net assets are also recorded in deferred contributions.

- Contributions restricted to the acquisition of capital assets having limited life are initially recorded as deferred capital contributions in the period in which they are received or receivable, and when expended are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

- Endowment contributions are recognized as direct increases in net assets.

- Contributions restricted to the acquisition of non-consumable capital assets are initially recorded as deferred capital contributions in the period in which they are received and, when expended, are recognized as direct increases in net assets.

Unrestricted contributions are recognized as revenue when received or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

- Unrestricted investment income, which includes interest, dividends and realized gains and losses, is recognized as revenue is earned. Unrealized gains and losses on available-for-sale securities attributed to other net assets are recorded in the consolidated statement of changes in net assets, and are recognized in the statement of operations when realized.

- Revenues received for the provision of goods or services are recognized in the period in which the goods are provided or the services rendered or substantially rendered.

- Tuition fees are recognized as revenue when the related instruction is delivered.

Pledges that can be reasonably estimated and where ultimate collection is reasonably assured are recorded as an asset, with the corresponding amount being recorded as fundraising and donations revenue, deferred contributions, deferred capital contributions or endowment as applicable.

d) Inventories

Inventories of merchandise for resale are valued at the lower of average cost and net realizable value.

e) Financial Instruments

The fair values of NAIT's accounts receivable, contribution and pledges receivable, accounts payable and accrued liabilities, and accrued vacation pay are valued in accordance with the methods as described in Note 2(b),

Financial instruments of NAIT are exposed to credit risk, interest rate risk, foreign exchange risk and market risks. NAIT's accounts, contributions and pledges receivables are due from a diverse group of customers and are subject to normal credit risk. The interest rate risk is the risk to NAIT's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates. The foreign exchange risk is the risk of the rising costs related to purchase transactions in United States Currency and the reduction of amount collected for receivables which are due in United States Currency. The market risk is the risk to NAIT's earnings that arises from the fluctuation and the degree of volatility in the market value of long-term investments. Each of these risks is limited through NAIT's collection procedures, investment guidelines and other internal policies, guidelines and procedures.

f) Fixed income and marketable equity securities

Fixed income and marketable equity securities are classified as available-for-sale (investments held for long-term capital appreciation and generation of income), and are measured at fair value at each reporting date. Fair value for publicly traded securities are based on the closing market prices. NAIT utilizes settlement-date accounting for all purchases and sales of financial assets in its investment portfolio. Fixed income securities are initially recognized at acquisition cost (purchase price plus transaction costs), which reflects any premium or discount at date of purchase, and carried at fair value. Marketable equity securities are also initially recognized at acquisition cost, and subsequently measured at fair value.

g) Capital Assets

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and renovations	40 years
Site improvements	10 years
Leasehold improvements	Lease term
Furnishings, equipment and vehicles	2 to 10 years
Software	2 to 5 years
Library holdings	10 years

h) Employee Future benefits

NAIT and its eligible employees participate in the Local Authorities and Management Employees pension plans. These plans are multi-employer defined benefit pension plans, administered by the Alberta Pensions Administration Corporation, and provide pensions for NAIT's employees based on years of service and earnings.

Pension costs included in these consolidated financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. NAIT's portion of the pension plans' deficit or surplus is not recorded by NAIT.

NAIT maintains a supplemental retirement plan for executive of NAIT. The cost of this plan is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Past service costs and actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the plan members. The most recent actuarial valuation of the obligation was performed for June 30, 2008.

i) Asset Retirement Obligations

Asset retirement obligations are recorded when incurred. The associated retirement costs are capitalized as part of the carrying amount of the assets, and amortized over the useful life of the related asset.

Note 3 Cash, Short-term Investments and Long-term Investments

Cash, short-term investments and long-term investments are recorded at market value, with unrealized gains or losses recorded in deferred contributions or net assets. Market value is based upon the quoted market price of the securities.

NAIT's investment policy is dedicated to optimizing the return on investment while ensuring that the assets of NAIT are at all times prudently invested while minimizing the potential for loss of capital.

Specific guidelines have been established with respect to asset mix, diversification, security, and performance measurement as well as quality, liquidity and term constraints.

In accordance with NAIT's investment guidelines, risk on long-term investment is managed by:

- Requiring that all bonds be rated "A" or better by the Dominion Bond Rating Service or an equivalent recognized rating agency;
- Holding a diversified selection of equities with a minimum of twenty securities and limiting exposure in any one security or issuer to 10% of the equity portfolio.
- Limiting investment in foreign equities to a maximum of 50% of the market value of the total equity portfolio with no funds invested in emerging markets.

a) Cash and Short-term Investments

In addition to cash on hand and on deposit, cash and short-term investments, consisting of Banker's Acceptances and Government of Canada Treasury Bills, all mature within one year and bear interest at a weighted average of 2.95% (2007: 4.43%). The effective yield of 2.95% (2007: 4.43%) represents the rate which discounts future cash receipts to the carrying value at June 30, 2008. Carrying value of these securities approximates market value.

NAIT manages an additional $15,531 (2007: $9,913) of short-term investments as Funds Held on Behalf of Others (Note 24), which are not included in the consolidated financial statements.

NAIT's investment guidelines restrict holdings of short-term investments to high quality, liquid securities where the rate of return performance standard is the return on 91-day Canadian Treasury Bills.

b) Long-term Investments

On July 1, 2007, NAIT adopted the new accounting standards for Financial Instruments. The new standards required the following changes:

i) Adopt the effective interest method for recording investment earnings on long-term bonds. NAIT previously used the straight line method for recording investment earnings. This change resulted in an increase in the investment balance as at July 1, 2007 of $27.

ii) Record unrealized gains on available for sale investments, resulting in an increase in the investment balance as at July 1, 2007 of $9,610. Of this amount, $1,349 relates to investments attributed to endowment net assets and has been recorded as deferred contributions. The balance of $8,261 relates to other net assets. See also Notes 11 and 15.

	2008			2007		
	Cost Base	Unrealized Gain (Loss)	Market Value	Recorded Value	Unrealized Gain (Loss)	Market Value
Government of Canada bonds	$ 24,375	$ 606	$ 24,981	$ 25,339	$ (178)	$ 25,161
Government of Canada coupon bonds	3,828	168	3,996	1,584	(60)	1,524
Provincial bonds	18,661	224	18,885	10,423	47	10,470
Provincial coupon bonds	-	-	-	324	(1)	323
Corporate bonds	10,915	30	10,945	10,550	(51)	10,499
Canadian equities	23,526	3,564	27,090	17,745	5,875	23,620
Foreign equities	21,003	450	21,453	16,363	4,005	20,368
Other	89	-	89	88	-	88
	$ 102,397	$ 5,042	$ 107,439	$ 82,416	$ 9,637	$ 92,053

Cost Base includes the cost of the investments net of unamortized premiums or discounts, and a provision for investments that have a decline in market value below cost that is other than temporary. For 2007, the cost base is the recorded value. For 2008, the recorded value is market value. The total 2007 Unrealized Gain (Loss) is comprised of $27 arising from the adoption of the effective interest method for recording investment earnings on long-term bonds, and $9,610 from unrealized gains on available for sale investments, as explained in Note 3(b).

	2008	2007
Government of Canada Bonds		
Weighted average years to maturity	5.3 years	5.6 years
Weighted average interest rate	4.40%	4.43%
Effective yield based on purchase price	4.27%	4.13%
Government of Canada Coupon Bonds		
Weighted average years to maturity	7.4 years	8.4 years
Weighted average interest rate	4.36%	4.12%
Effective yield based on purchase price	4.36%	4.12%
Provincial Bonds		
Weighted average years to maturity	8.5 years	11.4 years
Weighted average interest rate	5.21%	5.22%
Effective yield based on purchase price	4.10%	4.31%
Provincial Coupon Bonds		
Weighted average years to maturity	-	0.2 years
Weighted average interest rate	-	3.82%
Effective yield based on purchase price	-	3.82%
Corporate Bonds		
Weighted average years to maturity	3.2 years	3.8 years
Weighted average interest rate	5.21%	5.26%
Effective yield based on purchase price	4.61%	4.51%

Term to maturity of bonds is based upon the contractual maturity of the security. Effective yields represent the rate that discounts future cash receipts to the purchase price.

Note 4 Accounts Receivable

	2008	2007
Canadian accounts receivable	$ 7,473	$ 7,108
Foreign accounts receivable	74	630
Accrued interest on investments	718	577
	$ 8,265	$ 8,315

Note 5 Contributions and Pledges Receivable

	2008	2007
NAIT Centre for Apprenticeship Technologies	$ 3,287	$ 4,828
General Student Awards	2,717	2,675
Centre for Piping Systems Technology	1,800	2,300
nova NAIT Institute for Applied Research Chair	1,500	-
Program Designated Contributions	1,372	2
Centre for Power Engineering Technology	600	-
Manufacturing Centre	600	1,550
Operating Grants	263	467
Centre for Machinist Technology	241	-
Centre for Culinary Arts	179	305
Student Awards Endowments	129	34
Centre for Applied Technologies	100	-
Hands-on Learning Endowments	72	56
Aboriginal Centre and Mobile Education Units	50	152
Centre for Chemical Studies	20	40
Program Designated Endowments	10	20
Centre for Information and Communications Technology	-	20
	$ 12,940	$ 12,449
Presented as:		
Current contributions and pledges	$ 4,372	$ 3,184
Non-current contributions and pledges	8,568	9,265
	$ 12,940	$ 12,449

In addition to the above contributions and pledges receivable, NAIT has received commitments from a number of donors for $1,912 (2007: $920) cash contributions and $2,165 (2007: $1,232) gifts in kind that will be received over the next several years. These additional contributions and pledges will be recorded when collection is reasonably assured.

Note 6 Inventories

	2008	2007
Bookstore and Tech Store	$ 2,386	$ 2,404
Resources and Environmental Management	439	466
General Stores	288	352
Farm Operations	207	239
Maintenance	43	41
Other	118	85
	$ 3,481	$ 3,587

Note 7 Capital Assets

a) Summary of Cost and Net Book Value

	2008			2007
	Cost or Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 34,264	$ -	$ 34,264	$ 34,264
Buildings, leasehold and site improvements	296,483	134,371	162,112	126,258
Furnishings, equipment and vehicles	131,127	83,152	47,975	31,221
Software	12,774	8,197	4,577	1,648
Leased equipment	2,369	1,513	856	1,135
Library	4,449	2,636	1,813	1,562
Intangibles	23	-	23	30
Projects in progress	6,246	-	6,246	52,407
	$ 487,735	$ 229,869	$ 257,866	$ 248,525

b) Net Book Value of Capital Assets are comprised as follows:

	2008	2007
Externally funded (unamortized deferred capital contributions - Note 13)	$ 161,449	$ 150,704
Internally funded (invested in capital assets)	96,086	97,076
Long-term leases (Note 10)	331	745
	$ 257,866	$ 248,525

c) Capital Acquisitions

Capital acquisitions during the year included certain donations in kind with a fair value of $4,409 (2007: $7,199).

d) Purchase Option

As part of the transfer of certain capital assets by the Province in 1978, the Province retained an option to repurchase all or any part of the transferred land and buildings for the nominal amount of $1 per purchase. The recorded net book value of the capital assets transferred is $1,225 (2007: $1,285).

Note 8 Employee Benefit Liabilities

	2008	2007
Current portion		
Accrued vacation pay	$ 15,803	$ 14,257
Management retirement allowance	286	208
Special leave plan	296	363
	16,385	14,828
Non-current portion		
Management retirement allowance	287	322
Special leave plan	421	442
Supplementary retirement plan (Note 9)	298	89
	1,006	853
	$ 17,391	$ 15,681

Note 9 Employee Future Benefits

A Management Retiring Allowance was established in 1988 in response to market conditions. The allowance is $2,000 per year of eligible service. To be eligible to receive this allowance, employees must have been employed in an eligible management position with NAIT prior to July 1, 2002 and also be eligible for retirement benefits from the Local Authority Pension Plan. Managers whose employment with NAIT commenced on or after July 1, 2002 are not eligible for this allowance. The liability is calculated based on management's best estimate of when the eligible employee will retire and a discount rate of 4.75%.

NAIT provides compensated absences for its employees under a special leave plan. Under this plan, employees contribute 18% of their gross bi-weekly earnings for a contributory period of four years. For the fifth year, employees receive 82% of their gross salary as of the last day of their contributory period. Alternatively, employees contribute 18% of their gross bi-weekly earnings for a contributory period of two years, and for the subsequent six months, receive 82% of their gross salary as of the last day of their contributory period. NAIT funds the shortfall between the contributed funds, including interest earned, and the gross salary to be paid to the employee during their compensated absence. NAIT's contribution to the total liability under the plan is $406 (2007 $309), and has been discounted at a rate of 1.75%.

NAIT's pension expense attributable to the Local Authorities Pension Plan was $12,189 (2007 $10,908), and to the supplemental retirement plan was $209 (2007 $89).

NAIT has a supplemental retirement plan for its executive, with the accrued benefit obligation, accrued benefit liability, benefit cost and actuarial assumptions as follows:

	2008	2007
Accrued Benefit Obligation		
Balance, beginning of year	$ 89	$ -
Current service cost	89	84
Interest cost	51	5
Actuarial loss	63	-
Prior service cost	755	-
Balance, end of year	1,047	89
Plan Assets	-	-
Funded status of the plan	(1,047)	(89)
Unamortized actuarial loss	63	-
Unamortized prior service cost	686	-
Accrued benefit liability, end of year	$ (298)	$ (89)
Benefit Cost		
Current service cost	$ 89	$ 84
Interest cost	51	5
Prior service costs	755	-
Actuarial loss in year	63	-
Difference between recognized and actual actuarial loss	(63)	-
Difference between recognized and actual prior service costs	(686)	
Net benefit cost	$ 209	$ 89

The significant actuarial assumptions adopted in measuring NAIT's accrued benefit obligations are as follows:		
Discount rate	5.50%	5.50%
Rate of compensation increase		4.00%
Until 2010	4.25%	
Thereafter	4.00%	
Expected average remaining service life of employees	10 years	11 years

Note 10 Long-term Leases

The following is a schedule of future minimum payments as of June 30, 2008 under capital leases:

	(in thousands)
2009	$ 283
2010	92
Total minimum lease payments	375
Less: long-term lease premium	(44)
	$ 331
Balance comprised of:	
Current portion of long-term leases	$ 283
Long-term leases	48
	$ 331

Note 11 Deferred Contributions

Deferred contributions represent unspent funds externally restricted for non-capital purposes.

	2008	2007
Deferred contributions relating to operating funding		
Contributions:		
Grants - Alberta Government	$ 36,153	$ 15,441
Grants - Other	398	419
Fundraising and donations	6,389	3,629
Earned revenue programs	408	396
Investment earnings	627	768
	43,975	20,653
Transferred to:		
Grants - Alberta Government	(31,700)	(23,165)
Grants - Other	(447)	(403)
Fundraising and donations	(3,584)	(2,733)
Earned revenue programs	(408)	(398)
Investment earnings (Note 17)	(632)	(653)
Endowments (Note 16)	(5)	(14)
	(36,776)	(27,366)
Change in deferred contributions relating to operating funding	7,199	(6,713)
Deferred contributions relating to operating funding, beginning of year	16,225	22,938
Deferred contributions relating to operating funding, end of year	23,424	16,225
Deferred contributions relating to unrealized gain on investments		
Unrealized gain on investments, beginning of year, as restated (Note 15)	1,349	-
Change in unrealized gain on investments relating to deferred contributions	(666)	-
Unrealized gain on investments, end of year	683	-
Total deferred contributions, end of year	$ 24,107	$ 16,225
The balance consists of funds restricted for:		
Program delivery	$ 10,218	$ 6,324
Scholarships, bursaries and other student support	9,744	6,113
Infrastructure and maintenance	2,502	3,504
Access to the Future - Innovation funding	865	-
Research projects	95	284
Unrealized gain on investments allocated to deferred contributions	683	-
	$ 24,107	$ 16,225

Note 12 Deferred Capital Contributions

Deferred capital contributions represent unspent funds externally restricted for capital purposes.

	2008	2007
Contributions:		
Grants - Alberta Government	$ 22,944	$ 24,499
Grants - Other Government	6,554	(6)
Fundraising and donations	8,741	14,314
	38,239	38,807
Transferred to unamortized deferred capital contributions (Note 13)	(22,126)	(34,471)
Change in deferred capital contributions	16,113	4,336
Deferred capital contributions, beginning of year	10,070	5,734
Deferred capital contributions, end of year	$ 26,183	$ 10,070
The balance consists of funds restricted for:		
Centre for Applied Technologies	$ 7,844	$ -
Power Plant Modernization	7,578	-
Health Sciences Equipment Renewal	4,359	-
Apprenticeship Program Equipment and Expansion	2,631	5,217
Centre for Piping Systems Technology	2,509	2,509
Lecture Theatre	588	928
Centre for Instrumentation Technology	285	-
Other Capital	171	328
Manufacturing Centre	131	1,066
Access to the Future - Innovation	84	-
Alberta North	3	22
	$ 26,183	$ 10,070

Note 13 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions are as follows:

	2008	2007
Balance, beginning of year	$ 150,704	$ 125,135
Add amount transferred from deferred capital contributions (Note 12)	22,126	34,471
Less amortization of deferred capital contributions	(11,381)	(8,902)
Balance, end of year	$ 161,449	$ 150,704

Note 14 Internally Restricted Net Assets

Internally restricted net assets represent those commitments for which the Board has appropriated funds from the unrestricted net assets. These appropriations do not have interest earnings allocated to them. Internally restricted net assets are summarized as follows:

	Balance at beginning of year	Appropriations from (returned to) unrestricted net assets	Disbursements during the year	Disbursements in Previous Years Subsequently Funded by Other Sources	Balance at end of year
Appropriation for capital activities:					
NAIT Ten Year Workforce Development Plan	$ -	$ 22,500	$ -	$ -	$ 22,500
Capital Renewal	2,390	476	-	-	2,866
Information Systems Renewal	1,456	-	(280)	-	1,176
NAIT Centre for Apprenticeship Technologies	445	(3,178)	(362)	3,416	321
NAIT Shell Manufacturing Centre	-	1,528	(1,347)	-	181
NAIT Sandvik Coromant Centre for Machinist Technology	-	401	(399)	-	2
Baccalaureate Degrees	-	275	(275)	-	-
Revenue Sharing	-	681	(681)	-	-
	4,291	22,683	(3,344)	3,416	27,046
Appropriation for operating activities:					
Baccalaureate Degrees	1,650	4,725	(1,346)	-	5,029
Revenue Sharing	1,188	319	(286)	-	1,221
Innovation Funding	522	84	(98)	-	508
Coursepack Royalties	326	112	(48)	-	390
Scholarship and Program Specific	7	-	(2)	-	5
NAIT Centre for Apprenticeship Technologies	-	(42)	-	42	-
	3,693	5,198	(1,780)	42	7,153
	$ 7,984	$ 27,881	$ (5,124)	$ 3,458	$ 34,199

Note 15 Net Unrealized Gains on Available-for-Sale Investments

	2008	2007
Net unrealized losses on available-for-sale investments arising during the year	(5,566)	-
Net investment gains realized on available-for-sale investments during the year and reported in the statement of operations	(1,588)	-
Decline in value of equity investments that is other than temporary and reported in the statement of operations	2,586	-
Decrease in unrealized gain on available-for-sale investments	(4,568)	
Balance, July 1, 2007 (Notes 2(b) and 3(b))	9,610	
Balance, end of year	$ 5,042	$ -

Presented as:

	2008			2007
	Endowment net assets, recorded in deferred contributions (Note 11)	Other net assets	Total	Total
Balance, July 1, 2007 (Notes 2(b) and 3(b))	$ 1,349	$ 8,261	$ 9,610	$ -
Decrease during year	(666)	(3,902)	(4,568)	-
Balance, end of year	$ 683	$ 4,359	$ 5,042	$ -

Note 16 Endowments

Endowments consist of restricted donations to NAIT, the principal of which is required to be maintained intact in perpetuity as well as any internal allocations by the Board. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

	2008	2007
Fundraising and donations	$ 2,294	$ 476
Transferred from deferred contributions (Note 11)	5	14
Change in Endowments	2,299	490
Endowments, beginning of year	13,031	12,541
Endowments, end of year	$ 15,330	$ 13,031
The balance consists of:		
Scholarships and bursaries	$ 10,100	$ 9,337
General	3,289	3,289
Staff Development	1,941	405
	$ 15,330	$ 13,031

Note 17 Investment Earnings

	2008	2007
Investment earnings from unrestricted sources	$ 3,898	$ 4,604
Investment earnings from restricted sources (Note 11)	632	653
	$ 4,530	$ 5,257

Note 18 Segmented Financial Information

The following provides information on NAIT's operating segments, leading to the calculation of the tuition revenue and net program cost per full load equivalent student for the Certificate, Diploma and Applied Degree programs, and the Apprenticeship Training programs:

	Note	Certificate, Diploma, Applied and Baccalaureate Degree Programs	Apprenticeship Training Programs	Other Programs and Services	Total
a) **Full-load equivalent students (FLE)**	(i)				
2007/08		9,128	3,797		12,925
2006/07		8,978	3,296		12,274
b) **Tuition and earned revenue**	(ii)				
2007/08					
Tuition and other fees		$ 24,664	$ 9,813	$ 2,051	$ 36,528
Earned revenue programs		7,299	-	28,768	36,067
		$ 31,963	$ 9,813	$ 30,819	$ 72,595
2006/07					
Tuition and other fees		$ 23,014	$ 8,267	$ 2,779	$ 34,060
Earned revenue programs		7,014	-	31,263	38,277
		$ 30,028	$ 8,267	$ 34,042	$ 72,337
c) **Net program cost**	(iii)				
2007/08					
Expenses per financial statements		$ 145,553	$ 85,794	$ 51,194	$ 282,541
Less cost recoveries		(942)	(282)	-	(1,224)
		$ 144,611	$ 85,512	$ 51,194	$ 281,317
2006/07					
Expenses per financial statements		$ 123,948	$ 63,599	$ 61,910	$ 249,457
Less cost recoveries		(972)	(220)	-	(1,192)
		$ 122,976	$ 63,379	$ 61,910	$ 248,265
d) **Tuition revenue per FLE (in dollars)**					
2007/08		$ 3,502	$ 2,584		
2006/07		$ 3,345	$ 2,508		
e) **Net program cost per FLE (in dollars)**					
2007/08		$ 15,843	$ 22,521		
2006/07		$ 13,697	$ 19,229		

Note (i) – Full-Load Equivalent Students (FLE)
As defined by Alberta Advanced Education and Technology, one full-load equivalent student reflects one student completing the full load for one year of study in a program, or several students combining to complete the equivalent of a normal full load.

Note (ii) - Tuition and Earned Revenue
Tuition and Earned Revenue for the Certificate, Diploma, Applied Degree and Baccalaureate Degree segment consist of all tuition fees for credit FLE's, and include tuition fees from credit continuing education courses that are recorded in the Earned Revenue Programs line on the Consolidated Statement of Operations.

Tuition Revenue for the Apprenticeship Training Program segment consists of all fees charged to apprenticeship students in accordance with the rates approved by Alberta Advanced Education and Technology.

Revenue for the Other Programs and Services segment consist of fees not subject to the Alberta Advanced Education and Technology Tuition Fee Policy as well as all fees charged for non-credit continuing education courses, international education and athletics programs.

Note (iii) - Net Program Cost
Operating expenses are allocated to the operating segments based on the Provincial Program Costing Methodology as recommended by Alberta Advanced Education and Technology.

Net program cost for the Other Program and Services segment consists of all expenses not attributed to the Certificate, Diploma Applied Degree and Baccalaureate Degree and the Apprenticeship Training program segments. It includes non-credit continuing education courses, international education projects, athletic programs, ancillary operations (Bookstore, Food Services and Parking) and expenses relating to fundraising events of the NAIT Advancement Office.

Note (iv) – Restatement of 2006/07 FLE, Tuition Revenue and Net Program Cost
Certain 2006/07 figures were restated to be consistent with current year's presentation and the final approved FLE and net program cost.

Note 19 Salary and Benefits

The following disclosure is prepared in accordance with a Treasury Board directive of the Province of Alberta.

	2008				2007
	Base Salary(1)	Other Cash Benefits(2)(3)	Other Non-cash Benefits(4)(5)	Total	Total
Chairman of The Board	$ -	$ -	$ -	$ -	$ -
Board Members	-	-	7	7	4
President and CEO	265	100	145	510	380
Vice President Administration and CFO	197	41	83	321	251
Provost and Vice President Academic	197	33	50	280	254
Vice President External Relations and CDO	170	30	43	243	196
Associate Vice President, Research & Innovation	146	14	22	182	166

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include bonuses and honoraria.

(3) The President & CEO received $20 and the Vice President Administration & CFO received $8 for vacation payouts. These amounts are included in Other Cash Benefits above.

(4) Other non-cash benefits include

- NAIT's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, car allowance, professional memberships required for employment and club membership.
- NAIT's current and prior service cost of the supplementary retirement plan, as outlined below.
- The tuition fee for the two student representatives on the Board of Governors. The Chair and other members of the Board of Governors receive no remuneration for the services they provide as members of the Board of Governors.

The President & CEO has been provided with an automobile by NAIT for which no amount is included in the other non-cash benefits.

(5) Supplementary Retirement Plan

Under the terms of the supplementary retirement plan (SRP), executive officers may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period. The SRP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

Note 20 Supplies and Services

Supplies and services are summarized by the following major groupings:

	2008	2007
Cost of goods sold	$ 15,860	$ 14,196
Repairs, maintenance and renovations	11,249	8,481
Classroom, lab and office supplies	10,743	8,397
Purchased labour	7,817	9,805
Purchased services	7,281	5,701
Travel, staff development	4,735	4,437
Administrative expenses	3,072	3,656
Meetings, hospitality	1,590	1,472
Fundraising and donations	911	612
	$ 63,258	$ 56,757

Note 21 Changes in Non-Cash Working Capital Accounts

	2008	2007
Accounts receivable	$ 50	$ (826)
Contributions and pledges receivable	(1,188)	(271)
Inventories	106	341
Prepaid expenses	(556)	(161)
Accounts payable and accrued liabilities	2,628	(867)
Current portion of employee benefit liabilities	1,557	1,422
Unearned revenue	1,380	1,766
Deferred contributions	7,199	(6,713)
	$ 11,176	$ (5,309)

Note 22 Contractual Obligations

(a) The future minimum payments as of June 30, 2008 under operating leases:

2009	$ 1,322
2010	$ 1,126
2011	$ 1,054
2012	$ 1,010
2013	$ 1,016

(b) Total annual commitment of $25 for operating costs of the Fairview and District Aquatic Centre

(c) As at June 30, 2008 NAIT has outstanding contractual commitments for the following projects:

Renovations - Electrician Expansion	$	450
Nexen Theatre	$	416
Renovations - Souch Campus Roof Replacement	$	370
Renovations - Signage	$	227
Renovations - Fire Alarm Upgrade	$	223
Renovations - Main Campus Roof Replacement	$	146
Centre for Building Environment Technology	$	66
Activities Centre - Ice Arena Upgrade	$	25
Renovations - Kingsway Campus	$	25

Note 23 Contingent Liabilities

NAIT is a defendant in a number of legal proceedings. NAIT has recorded a provision in these financial statements based upon Management's estimates of the potential outcome of such proceedings. Additional costs of settling these claims, if any, will be charged to operations upon settlement, which in Management's opinion will not have a material effect on the financial position of NAIT.

NAIT has identified asset retirement obligations for which the fair value cannot be reasonably estimated due to the indeterminate timing and scope of the asset retirement. The asset retirement obligation for these assets will be recorded in the period in which there is sufficient information to estimate fair value.

Note 24 Funds Held on Behalf of Others

NAIT holds the following funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements.

	2008	2007
Alberta Association of Colleges and Technical Institutes	$ 11,428	$ 7,195
Government of Alberta Individual Learning Modules	3,603	2,288
NAIT Students' Association	500	430
	$ 15,531	$ 9,913

Note 25 Related Party Transactions

NAIT is a Provincial Corporation as all the members of the Board of Governors are appointed by statute (the *Post-secondary Learning Act*) or by combination of orders by the Lieutenant Governor-in-Council and the Minister of Advanced Education and Technology. NAIT received the following grants directly from the Province of Alberta or indirectly through related entities:

	2008			
	Deferred contributions	Deferred capital contributions	Grant revenue	Total
Alberta Advanced Education and Technology				
Regular operating	$ -	$ -	$ 136,338	$ 136,338
Performance funding	-	-	1,882	1,882
Enrolment Planning Envelope funding	32,926	5,158	-	38,084
Conditional	2,199	1,346	-	3,545
Infrastructure Maintenance Program	(794)	794	-	-
Power plant modernization	-	7,600	-	7,600
NAIT Centre for Applied Technologies	-	5,000	-	5,000
Access to the Future - Innovation	865	84	-	949
NAIT Centre for Apprenticeship Technologies	38	2,962	-	3,000
Alberta Employment, Immigration and Industry	662	-	-	662
Northern Alberta Development Council	7	-	-	7
University of Alberta - TEC Edmonton	250	-	-	250
	36,153	22,944	138,220	197,317
Deferred contributions recognized as grant revenue	(31,700)	-	31,700	-
	$ 4,453	$ 22,944	$ 169,920	$ 197,317

	2007			
	Deferred contributions	Deferred capital contributions	Grant revenue	Total
Alberta Advanced Education and Technology				
Regular operating	$ -	$ -	$ 122,869	$ 122,869
Performance funding	-	-	1,540	1,540
Enrolment Planning Envelope funding	12,149	8,262	-	20,411
Conditional	343	(20)	-	323
Infrastructure Maintenance Program	2,348	2,590	-	4,938
NAIT Centre for Apprenticeship Technologies	218	13,582	-	13,800
Alberta Employment, Immigration and Industry	-	20	-	20
Alberta Health and Wellness	-	(3)	-	(3)
University of Alberta - TEC Edmonton	375	-	-	375
Alberta-North	8	68	-	76
	15,441	24,499	124,409	164,349
Deferred contributions recognized as grant revenue	(23,165)	-	23,165	-
	$ (7,724)	$ 24,499	$ 147,574	$ 164,349

In 2008, NAIT provided courses to provincial government departments and participated in the development, sale and offering of certain courses with other public colleges and the Southern Alberta Institute of Technology. The revenues and expenses incurred for these have been included in the consolidated statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair market value.

Note 26 Academic Programs in Northwest Alberta

On May 14, 2008, the Minister of Alberta Advanced Education and Technology announced changes to post-secondary academic program delivery and stewardship for students in northwest Alberta, When the transition is complete, learners in the northwest Alberta region will be served by shared stewardship between Grande Prairie Regional College and Northern Lakes College.

Certain assets, liabilities, net assets, revenue and expenses of NAIT will be transferred to Grande Prairie Regional College or Northern Lakes College effective the date of the transition, currently expected to be July 1, 2009. The impact on the consolidated financial statements of NAIT is not known at this time.

Note 27 Budget

NAIT's Board of Governors approved the following consolidated operating budget at the May 7, 2007 Board meeting. At that meeting, the Board also approved capital expenditures and appropriations of $12,455.

Revenue:	
Grants	$ 167,321
Earned revenue programs	38,577
Tuition and other fees	37,255
Ancillary services	19,979
Amortization of deferred capital contributions	10,034
Sales, rentals and services	4,608
Investment earnings	3,430
Fundraising and donations	2,767
	283,971
Expense:	
Salary and benefits	188,449
Supplies and services	61,578
Amortization of capital assets	18,278
Utilities	8,359
Scholarships and bursaries	1,530
Facilities rentals	1,456
Loss on disposal of capital assets	110
	279,760
Excess of revenue over expense	4,211
Adjust for non-cash items	
Amortization of capital assets	18,278
Amortization of deferred capital contributions	(10,034)
Cash available for capital budget and appropriation	12,455
Book value of capital assets disposed	361
Purchase of capital equipment	(5,675)
Repayment of long-term lease	(413)
Release of Internally Restricted Net Assets for current operating activities	1,950
Appropriation to Revenue Sharing Plan	(1,000)
Appropriation to campus renewal or equipment	(7,678)
Balanced budget	$ -

Note 28 Comparative Figures

Certain June 30, 2007 figures have been reclassified to conform to the current year presentation.

Note 29 Approval of Consolidated Financial Statements

These consolidated financial statements were approved by the Board of Governors.

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2008

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of the Southern Alberta Institute of Technology

I have audited the consolidated statement of financial position of the Southern Alberta Institute of Technology as at June 30, 2008 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
August 29, 2008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30 (in thousands)	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	$ 134,035	$ 93,090
Accounts receivable	7,331	9,830
Inventories (Note 4)	2,345	2,424
Prepaid expenses	465	494
	144,176	105,838
Investments (Note 3)	41,873	35,652
Capital assets (Note 5)	286,259	255,009
	$ 472,308	$ 396,499
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities (Note 6)	$ 26,639	$ 33,952
Deferred revenue (Note 7)	11,894	10,568
Deferred contributions (Note 8)	22,379	29,287
Current portion of employee benefit liabilities (Note 10)	11,676	10,622
Current portion of long-term liabilities (Note 12)	1,705	1,613
	74,293	86,042
Deferred capital contributions (Note 9)	34,206	10,754
Employee benefit liabilities (Note 10)	1,438	1,297
Long-term liabilities (Note 12)	114,629	68,816
Unamortized deferred capital contributions (Note 13)	108,663	110,322
	333,229	277,231
Net assets:		
Unrestricted net assets		
Cumulative excess of revenue over expenses	34,798	22,775
Cumulative net unrealized gains on available for sale financial assets	11	-
Invested in capital assets (Note 14)	91,449	84,312
Endowments (Note 15)	12,821	12,181
	139,079	119,268
	$ 472,308	$ 396,499

Contractual obligations and contingencies (Note 16)

Approved by the Board of Governors:

Michael D. Begin
Michael D. Begin
Chair of the Board

Clare Rhyasen
Clare Rhyasen, C.A.
Chair of the Audit Committee

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended June 30 (in thousands)	**2008**	2007
Revenue:		
Grants	**$ 137,637**	$ 123,211
Earned revenue programs	**42,959**	43,626
Tuition and related fees	**34,730**	32,754
Commercial services	**16,439**	16,188
Sales, rentals and services	**4,304**	4,356
Investment income (Note 3)	**3,713**	3,310
Donations, contributions and income on restricted contributions	**3,968**	3,701
	243,750	227,146
Earned capital contributions (Note 13)	**8,106**	8,455
	251,856	235,601
Expense:		
Salaries, wages and benefits (Note 18)	**145,833**	133,416
Supplies and services	**39,460**	41,652
Repairs and maintenance	**13,021**	11,521
Utilities	**9,669**	9,004
Interest expense	**1,603**	1,256
Scholarships and projects	**3,017**	2,992
Amortization of capital assets	**19,471**	17,185
Net loss on disposal of capital assets	**622**	544
	232,696	217,570
Excess of revenue over expense	**$ 19,160**	$ 18,031

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30	2008				2007
(in thousands)					
	Unrestricted	**Investment in Capital Assets**	**Endowments**	**Total**	**Total**
Excess of revenue over expense	$ 19,160	$ -	$ -	$ 19,160	$ 18,031
Transfers for:					
Acquisition of capital assets	(18,210)	18,210	-	-	-
Repayment of long-term liabilities related to capital assets	(1,615)	1,615	-	-	-
Amortization of capital assets	11,365	(11,365)	-	-	-
Disposition of capital assets	1,323	(1,323)	-	-	-
Endowment contributions	-	-	639	639	977
	12,023	7,137	639	19,799	19,008
Accumulated gains and losses included directly in the statement of changes in net assets:					
Change in accounting policy (Note 2)	2,198	-	297	2,495	-
Change in unrealized gains and losses on available-for-sale financial assets	(2,187)	-	(296)	(2,483) -	-
	11	-	1	12	-
Net assets, beginning of year	22,775	84,312	12,181	119,268	100,260
Net assets, end of year	$ 34,809	$ 91,449	$ 12,821	$ 139,079	$ 119,268

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30 (in thousands)	2008	2007
Operating Activities:		
Excess of revenue over expense	$ 19,160	$ 18,031
Non-cash transactions:		
Amortization of capital assets	19,471	17,185
Earned capital contributions (Note 13)	(8,106)	(8,455)
Net loss on disposal of capital assets	622	544
Increase in employee benefits	141	429
Unrealized gain on financial assets	12	-
	31,300	27,734
Changes in non-cash working capital (Note 19)	(5,891)	16,470
Cash generated from operating activities	25,409	44,204
Investing Activities:		
Acquisition of capital assets (1)	(50,189)	(60,044)
Purchase of investments, net	(6,221)	(11,328)
Proceeds from disposal of capital assets	701	642
Cash used in investing activities	(55,709)	(70,730)
Financing Activities:		
Proceeds from long-term liabilities	47,520	-
Repayment of long-term liabilities	(1,615)	(1,540)
Endowment contributions	639	977
Construction payables	(3,343)	5,716
Capital contributions (Note 9)	28,044	9,795
Cash generated from financing activities	71,245	14,948
Increase (decrease) in cash and cash equivalents	40,945	(11,578)
Cash and cash equivalents, beginning of year	93,090	104,668
Cash and cash equivalents, end of year	$ 134,035	$ 93,090

(1) Acquisition of capital assets does not include $1,855 (2007 – $640) of contributed equipment and software (Note 13).

The accompanying notes are part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008
(thousands of dollars)

NOTE 1 AUTHORITY

The Southern Alberta Institute of Technology operates under the authority of the *Post-Secondary Learning Act*. The Institute provides educational programs to provide a skilled, productive work force for the economic development of Alberta and Canada. The Institute is exempt from payment of income tax and is also a registered charity under the *Income Tax Act*. The Institute was established as a board governed institution on April 1, 1982.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) General and Use of Estimates
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events and, as such, the preparation of these financial statements requires the use of estimates, which may vary from actual results.

(b) Consolidated Statements
The consolidated financial statements include the accounts of the Institute and its subsidiary. The Institute accounts for its interests in jointly controlled entities using the proportionate consolidation method.

(c) Revenue Recognition
Operating grants, including grants from the Province of Alberta, are recognized as revenue in the period earned. Grants received but not earned are deferred and recognized in the subsequent period.

Grants for capital acquisitions, including grants from the Province of Alberta, are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets and contributions of property are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the earned capital contributions revenue are matched to indicate that the related amortization expense has been funded.

Unrestricted contributions are recognized as revenue when they are received or receivable. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined. Unrestricted investment income is recognized in revenue as it is earned. Pledges are recognized as revenue when collected.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expense is incurred. Externally restricted amounts can only be used for purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Amounts received for tuition fees and the sale of goods and services are recognized as revenue in the period in which the goods are delivered or the services are provided. Revenue from earned revenue contracts is recognized using the percentage of completion method.

(d) Cash, Cash Equivalents, and Investments
Cash, cash equivalents, and investments are recorded at market value. Valuations of publicly traded securities are based on quoted market prices (last trade, or bid if no trade has occurred) at the close of business on the balance sheet date. Changes in market value are recognized directly in net assets or the appropriate deferred contributions balance until realized through disposal or impairment.

NOTE 2 Significant accounting policies (continued)

(e) Capital Assets
As determined by an independent appraisal as at April 1982, land was recorded at fair market value and buildings were recorded at amortized replacement cost. Subsequent additions are recorded at cost.

Furnishings, equipment and computer software are recorded at cost. Donated assets are recorded at fair value at the date of contribution when fair value can be reasonably estimated; otherwise they are recorded at a nominal amount.

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings	40 years
Renovations	10 or 25 years
Furnishings, equipment, and library	10 years
Computer servers	3 or 10 years
Vehicles	5 years
Computer hardware and software	3 years
Leasehold improvements	Length of lease

Construction in progress includes the direct construction costs and overhead costs directly attributable to the construction including engineering and legal fees and interest on specific debt, net of investment income, attributed to the construction of capital assets. Construction projects in progress are not amortized until the project is ready for use.

The fair value of a liability for an asset retirement obligation is recognized in the period incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the asset and amortized over its estimated useful life.

When events and circumstances indicate that a capital asset no longer has any service potential, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

(f) Inventories
Inventory of bookstore, materials and supplies merchandise is maintained using the first-in first-out method of costing. All inventory is valued at the lower of cost or net realizable value.

(g) Employee Future Benefits
The Institute participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the Institute's participating employees based on years of service and earnings. This plan is accounted for as a defined contribution pension plan in the Institute's financial statements because the Institute has insufficient information to apply defined benefit accounting. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The Institute does not record the Institute's portion of the pension plans' deficit or surplus.

The Institute also offers a defined contribution pension plan for eligible employees. The Institute's contributions are based on a percentage of the employee's salary. The pension expense included in these financial statements represents the Institute's required contributions under the plan.

The Institute maintains a supplemental executive retirement plan for certain qualified management of the Institute. The cost of the pension is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's assumptions about salary escalation and retirement age. Past service costs and actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service term of the active membership of the plan. The most recent actuarial valuation of the obligation was performed for June 30, 2006 and the next actuarial valuation will be performed for June 30, 2009.

The Institute also provides employee future benefits in the form of compensated absences. Costs for these benefits are estimated using reasonable assumptions and are included in these financial statements.

NOTE 2 Significant accounting policies (continued)

(h) Financial Instruments
On July 1, 2007, the Institute adopted the provisions of CICA handbook section 3855 "Financial Instruments - Recognition and Measurement" and section 3861 "Financial Instruments – Disclosure and Presentation". These new standards require the Institute to revalue certain financial assets and liabilities at fair value on the initial date of implementation and at each subsequent reporting date.

The new standards also require the Institute to classify financial assets and liabilities according to their characteristics. Classification choices for financial assets include held for trading (HFT), held to maturity (HTM), available for sale (AFS), and loans and receivables. Classification choices for financial liabilities include held for trading and other liabilities.

Available for sale financial assets are measured at fair value with changes in fair value recorded separately in net assets or the appropriate deferred contributions balance until the asset is derecognized. Loans and receivables are recorded at amortized cost with gains and losses recognized in the statement of revenue and expense when the asset is derecognized. Other liabilities are recorded at amortized cost with gains and losses recognized in the statement of revenue and expense when the liability is derecognized.

In accordance with the new standard, the Institute's financial instruments are generally classified and measured as follows:

Financial Statement Component	Classification	Measurement
Cash and cash equivalents	AFS	Fair value
Accounts receivable	Loans and receivables	Cost
Investments	AFS	Fair value
Accounts payable and accrued liabilities	Other liabilities	Cost
Vacation pay	Other liabilities	Cost
Long-term liabilities	Other liabilities	Amortized Cost

All other accounts in the Statement of Financial Position have not been classified as they are not within the scope of the new accounting standards.

The Institute's financial instruments are recognized on their trade date and transaction costs related to financial instruments are expensed as incurred. As permitted for Not-for-Profit Organizations, the Institute has elected not to apply the standards for embedded derivatives (elements of contracts whose cash flows move independently from the host contract) in non-financial contracts.

The new standards were applied restrospectively without restatement of prior periods on June 30, 2007. The transitional impact of the new standards on relevant items in the Institute's opening Statement of Financial Position on July 1, 2007 was an increase to investments of $3,281, an increase in deferred contributions of $786, an increase to endowments of $297 and an increase to unrestricted net assets of $2,198.

(i) Financial Instruments and Risk Management
The Institute's financial instruments are subject to credit risk, interest rate risk, market risk, and commodity price risk. The credit risk for accounts receivable is relatively low as the majority of balances are due from government agencies and corporations. Credit risk is managed through restricting enrolment activities for students with delinquent balances and maintaining standard collection procedures. Interest rate risk is the risk to the Institute's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. Market risk is the risk to the Institute's earnings that arises from the fluctuations and degree of volatility in the market value of its cash equivalents and investments. Interest rate and market risks are managed through target mixes of investment types designed to achieve optimal returns with reasonable risk tolerances. The Institute is exposed to commodity price risk as a result of substantial electricity and natural gas usage required to operate the Institute's facilities. Commodity price risk is managed through long-term fixed price electricity and natural gas contracts.

(thousands of dollars)

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS

	2008				2007	
	Cash and Cash Equivalents	**Long-Term Investments**	**Total Market**	**Cost**	Total Market	Cost
Cash	**$ (3,815)**	**$ -**	**$ (3,815)**	**$ (3,815)**	$ (7,034)	$ (7,034)
Money market investments	**137,850**	**5,612**	**143,462**	**143,132**	103,162	102,460
Bonds	**-**	**12,974**	**12,974**	**12,721**	12,857	13,254
Equities	**-**	**23,287**	**23,287**	**23,024**	23,756	20,062
Total	**$ 134,035**	**$ 41,873**	**$ 175,908**	**$ 175,062**	$ 132,741	$ 128,742

The overall rate of return for the year was 2.32% (2007 – 6.12%). At June 30, 2008, the effective yield on money market investments was 2.41% (2007 – 4.51%) and on bond investments was 4.28% (2007 – 4.86%). Effective yield represents the rate that discounts future cash receipts to the carrying value at June 30, 2008. Money market investments mature within 120 days while bond investments have a maturity of up to 30 years.

The dividend yield on equity investments was 2.84% (2007 – 2.30%). Dividend yield represents the income return based on current market prices, excluding unrealized gains and losses.

The Institute's investment policies limit investments to credit-worthy counterparties and specify minimum and maximum exposures to certain issuers.

The cash overdraft was a temporary condition representing cheques issued but not yet cashed. Subsequent to year-end, the majority of these cheques were presented for payment and cleared by the Institute's bank.

Earnings on the above investments have been recorded as follows:

	2008	2007
Investment income	**$ 3,713**	$ 3,310
Deferred contributions and deferred capital contributions	**1,442**	1,002
Interest earned on loan advance (Note 12)	**423**	1,212
Capitalized to endowments	**142**	362
Total investment income earned	**$ 5,720**	$ 5,886

NOTE 4 INVENTORIES

	2008	2007
Bookstore	**$ 1,981**	$ 2,084
Material and supplies	**364**	340
	$ 2,345	$ 2,424

(thousands of dollars)

NOTE 5 CAPITAL ASSETS

		2008		2007
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 23,627**	**$ -**	**$ 23,627**	$ 23,627
Buildings and renovations	**365,846**	**166,626**	**199,220**	145,275
Furnishings, equipment, and library	**71,883**	**40,114**	**31,769**	24,916
Vehicles	**1,178**	**893**	**285**	261
Computer hardware and software	**48,550**	**36,515**	**12,035**	12,349
Construction in progress	**19,323**	**-**	**19,323**	48,581
	$ 530,407	**$ 244,148**	**$ 286,259**	$ 255,009

Capital acquisitions during the year included donations in kind in the amount of $1,855 (2007 - $640).

At June 30, 2008, the Institute had assets under capital lease with a cost of $839 (2007 - $1,234) and accumulated amortization of $312 (2007 - $433).

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
Trade	**$ 10,062**	$ 15,658
Salaries, wages and benefits	**9,696**	8,131
Construction	**4,584**	7,927
Other	**2,297**	2,236
	$ 26,639	$ 33,952

NOTE 7 DEFERRED REVENUE

	2008	2007
Tuition and student fees	**$ 10,470**	$ 9,960
Earned revenue programs	**299**	437
Commercial services and other	**1,125**	171
	$ 11,894	$ 10,568

(thousands of dollars)

NOTE 8 DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent funds externally restricted for non-capital purposes.

	2008	2007
Increase during the year:		
Enrolment Planning Envelope and Access grants	**$ 18,635**	$ 29,084
Donations	**2,892**	3,289
Other grants	**1,628**	1,170
Health Workforce Action Plan grant	**518**	-
Infrastructure Maintenance Program	**-**	5,234
Restricted income	**965**	830
	24,638	39,607
Transfers:		
To grant revenue	**(28,664)**	(24,044)
To donations, contributions, and income on restricted contributions	**(3,011)**	(2,988)
From (to) deferred capital contributions (Note 9)	**129**	(3,664)
	(31,546)	(30,696)
Balance, beginning of year	**29,287**	20,376
Balance, end of year	**$ 22,379**	$ 29,287

The balance of deferred contributions is comprised of:

	2008	2007
Program delivery	**$ 18,217**	$ 23,078
Scholarships	**2,028**	1,975
Other	**2,134**	4,234
	$ 22,379	$ 29,287

(thousands of dollars)

NOTE 9 DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent unspent funds externally restricted for capital purposes.

	2008	2007
Increase during the year:		
Restricted capital grants	**$ 22,764**	$ 3,029
Donations	**4,932**	2,930
Transfers (to) from deferred contributions (Note 8)	**(129)**	3,664
Restricted income	**477**	172
	28,044	9,795
Transfers to unamortized deferred capital contributions:		
Restricted capital funds	**(3,603)**	(825)
Other grants	**(293)**	(443)
Donations	**(696)**	(259)
	(4,592)	(1,527)
Balance, beginning of year	**10,754**	2,486
Balance, end of year	**$ 34,206**	$ 10,754

The balance of deferred capital contributions is comprised of:

	2008	2007
Trades and Technology Complex grants	**$ 18,028**	$ 3,029
Trades and Technology Complex donations	**8,029**	3,229
Health Workforce Action Plan grants	**4,194**	-
Enrolment Planning Envelope and Access grants	**1,890**	1,267
Other grants and donations	**2,065**	3,229
	$ 34,206	$ 10,754

NOTE 10 EMPLOYEE BENEFIT LIABILITIES

	2008	2007
Current portion		
Accrued vacation pay	**$ 11,373**	$ 10,421
Supplemental executive retirement plan (Note 11)	**29**	49
Deferred salary plan	**274**	152
	11,676	10,622
Long-term portion		
Supplemental executive retirement plan (Note 11)	**1,115**	784
Deferred salary plan	**323**	513
	1,438	1,297
Total employee benefit liabilities	**$ 13,114**	$ 11,919

(thousands of dollars)

NOTE 11 EMPLOYEE FUTURE BENEFITS

The Institute provides compensated absences for its employees under a special leave plan. Under this plan, employees contribute 15% of their gross monthly earnings for a contributory period of four years. For the fifth year, employees receive 85% of their gross salary as of the last day of their contributory period. The Institute funds the shortfall between the contributed funds, including interest earned, and the gross salary to be paid in the fifth year. The Institute's contribution to the total liability under the plan is $254 (2007 - $251) and has been discounted at a rate of 5%.

The Institute's pension expense attributable to the multi-employer plan was $8,291 (2007 - $7,205), the Institute's pension expense attributable to the defined contribution plan was $116 (2007 - $109), and the Institute's pension expense attributable to the supplemental executive retirement plan was $401 (2007 - $378).

At December 31, 2007, the Local Authorities Pension Plan (LAPP) reported a deficiency of $1,183,334 (2006 - $746,651). The plan kept contribution rates unchanged from 2007 rates.

The Institute has an unfunded supplemental executive retirement plan for its President, Vice-Presidents, and certain qualified management. The defined benefit plan obligations are as follows:

		2008		2007
Accrued benefit obligation				
Balance, beginning of year	$	1,488	$	1,216
Current service cost		201		194
Interest cost		93		78
Benefits paid		(89)		-
Balance, end of year		1,693		1,488
Plan assets		-		-
Funded status - plan deficit		(1,693)		(1,488)
Unamortized actuarial loss		374		409
Unamortized past service cost		175		246
Accrued benefit liability	$	(1,144)	$	(833)
Benefit Cost				
Current service cost	$	201	$	194
Interest cost		93		78
Difference between recognized and actual past service cost in year		71		85
Difference between recognized and actual actuarial gains in year		36		21
	$	401	$	378

The significant actuarial assumptions adopted in measuring the Institute's accrued benefit obligations are as follows:

	2008	2007
Discount rate	5.50%	5.50%
Average compensation increase	4.00%	4.00%
Expected average remaining service life of employees (in years)	11.5	11.5

(thousands of dollars)

NOTE 12 LONG-TERM LIABILITIES

	2008	2007
Construction financing for Parkade (a)	**$ 47,500**	$ -
Construction financing for the Tower student residence (b)	**50,816**	51,719
Construction financing for the East Hall student residence (c)	**17,821**	18,389
Capital lease obligations (d)	**197**	321
	116,334	70,429
Less: current portion	**(1,705)**	(1,613)
	$ 114,629	$ 68,816

Principal payments during the next five fiscal years on long-term liabilities are as follows:

2008/09	**$ 1,705**
2009/10	**3,127**
2010/11	**3,259**
2011/12	**3,427**
2012/13	**3,602**

Interest of $3,586 was paid in 2008 (2007 - $3,678).

(a) Pursuant to a loan agreement with the Alberta Capital Finance Authority, entered into on March 17, 2008, the Institute borrowed the sum of $95,000 to finance the construction of a Parkade. The loan bears interest at 4.8% per annum and matures March 17, 2039. Security pledged for the loan includes all future cash flows generated through the operation of this parkade. Long-term debt was used to finance $17,315 in construction costs in the year. The total amount drawn on the loan at June 30, 2008 was $47,500.

Net interest was capitalized as follows:

	2008	2007
Interest on long-term debt	**$ 488**	$ -
Less: Interest earned on loan advance (Note 3)	**(159)**	-
	$ 329	$ -

(b) Pursuant to a loan agreement with the Alberta Capital Finance Authority, entered into on December 16, 2005, the Institute borrowed the sum of $53,000 to finance the construction of the Tower student residence. The loan bears interest at 4.6% per annum and matures December 16, 2035. Security pledged for the loan includes all future cash flows generated through the operation of this residence. Long-term debt was used to finance $9,149 (2007 - $37,661) in construction costs in the year.

Net interest was capitalized as follows:

	2008	2007
Interest on long-term debt	**$ 1,987**	$ 2,416
Less: Interest earned on loan advance (Note 3)	**(264)**	(1,212)
	$ 1,723	$ 1,204

(thousands of dollars)

NOTE 12 LONG-TERM LIABILITIES (continued)

(c) Pursuant to a loan agreement with the Alberta Capital Finance Authority, the entered into on June 16, 2000, the Institute borrowed the sum of $21,500 to finance the construction of the East Hall student residence. The loan bears interest at 6.5% per annum and matures June 16, 2025. Security pledged for the loan includes all future cash flows generated through the operation of this residence.

(d) The average implicit interest rate payable on these leases is 7.50% (2007 – 8.13%). Interest of $13 (2007 - $31) has been charged to expense in the year.

NOTE 13 UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS

Unamortized deferred capital contributions represent external funding of capital assets which will be recognized as revenue in future periods. Changes in unamortized deferred capital contributions are as follows:

		2008		2007
Transferred from deferred capital contributions (Note 9)	$	**4,592**	$	1,527
Contributed equipment and software		**1,855**		640
Transferred to revenue		**(8,106)**		(8,455)
Decrease during the year		**(1,659)**		(6,288)
Unamortized deferred capital contributions, beginning of year		**110,322**		116,610
Unamortized deferred capital contributions, end of year	$	**108,663**	$	110,322

NOTE 14 INVESTED IN CAPITAL ASSETS

		2008		2007
Net book value of capital assets (Note 5)	$	**286,259**	$	255,009
Capital assets financed by long-term liabilities		**(86,147)**		(60,375)
Unamortized deferred capital contributions (Note 13)		**(108,663)**		(110,322)
	$	**91,449**	$	84,312

NOTE 15 ENDOWMENTS

Endowments consist of restricted donations to the Institute, the principal of which is required to be maintained intact in perpetuity as well as any internal allocations by the Board. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

Endowments on a cumulative basis:

		2008		2007
Externally restricted	$	**11,821**	$	11,181
Internal allocations		**1,000**		1,000
	$	**12,821**	$	12,181

(thousands of dollars)

NOTE 16 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

(a) The Institute has entered into contracts for the provision of leases, utilities, and various other services. Utilities contracts are for natural gas, electricity, and steam, while other service contracts are for caretaking services, transit passes, software maintenance and support, graphic and cable services. Under these contracts, future minimum payments are:

	Leases	Utilities	Services [1]
2008/09	$ 592	$ 9,728	$ 7,573
2009/10	372	8,776	6,492
2010/11	304	8,557	6,453
2011/12	313	8,580	6,698
2012/13	314	6,910	2,247
Thereafter	11,683	-	767

[1] Included in Services relating to 2010/11 and 2011/12 is $8,943 for contract renewal clauses.

(b) The Institute is defending a number of legal proceedings. The Institute maintains, on a case-by-case basis, provisions for such items when the expected loss is both probable and can be reasonably estimated based on currently available information. Although it is possible that liabilities may arise in other instances for which no provisions have been made, it is the opinion of management that the resolution of these claims will not have a material effect on the financial position of the Institute. The cost of settling these claims, if any, will be charged to operations upon settlement.

(c) As at June 30, 2008, the Institute has commitments of $70,492 for capital projects.

(d) The Institute has identified asset retirement obligations for which the fair value cannot be reasonably estimated due to the indeterminate timing and scope of the asset retirements. The asset retirement obligation for these assets will be recorded in the period in which there is sufficient information to estimate fair value.

(e) All contractual obligations disclosed include 5% Goods and Services Tax.

NOTE 17 BUDGET

The following budget presented for the year ended June 30, 2008 was approved by the Board of Governors on June 4, 2007:

Revenue:		
Grants	$	137,810
Earned revenue programs		40,416
Tuition and related fees		36,747
Commercial services		19,478
Sales, rentals and services		3,327
Investment income		3,185
Donations, contributions and income on restricted contributions		5,158
		246,121
Earned capital contributions		7,615
		253,736
Expense:		
Salaries, wages and benefits (1)		155,919
Supplies and services (1)		41,229
Repairs and maintenance		13,705
Utilities		9,750
Interest expense		3,628
Scholarships and projects		4,311
Amortization of capital assets		19,881
Net loss on disposal of capital assets		690
		249,113
Excess of revenue over expense	$	4,623

(1) The approved budget presented has been adjusted to reflect a misclassification presentation of $5,309 between supplies and services and salaries, wages and benefits. The misclassification does not impact the total expense nor the excess of revenue over expense amounts.

(thousands of dollars)

NOTE 18 SALARY DISCLOSURE

The following disclosure is prepared in accordance with a Treasury Board directive of the Province of Alberta.

	2008				2007
	Base Salary [1]	**Other Cash Benefits** [2]	**Other Non-Cash Benefits** [3] [4]	**Total**	Total
Executives:					
President & CEO	$ 209	$ 75	$ 136	$ 420	$ 395
Vice President, Academic	169	48	64	281	274
Vice President, Administration [5]	141	28	65	234	277
Vice President, Corporate Services & CFO [6]	170	48	40	258	13
Vice President, Employee & Student Services	169	48	44	261	255
Vice President, External Relations	169	48	49	266	259
Board of Governors: [7]					
Chairman of the Board	-	-	-	-	-
Board Members	-	11	-	11	14

[1] Base salary includes pensionable base pay.

[2] Other cash benefits include performance payments for Executives.

[3] Other non-cash benefits include the Institute's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short- and long-term disability plans, professional memberships, and the employer's current and prior service cost of the unfunded supplemental executive retirement plan (SERP) as per note (4) below. An automobile is provided to each executive, but no dollar amount is included in the non-cash benefits figures.

[4] Under the terms of the SERP, executive officers may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period. The SERP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

[5] The Vice-President Administration retired in May 2008. Compensation amounts include a payment of $28 paid leave of absence, which is included in other cash benefits.

[6] A new executive filled the position of CFO in June 2007.

[7] Other cash benefits for the Board of Governors include honoraria. Some Board members do not accept honoraria.

(thousands of dollars)

NOTE 18 Salary Disclosure (continued)

The cost of SERP benefits included in other non-cash benefits are as follows:

	2008			2007
	Current Service Cost	Prior Service and Other Costs	Total	Total
President & CEO	$ 83	$ 33	$ 116	$ 106
Vice President, Academic	15	29	44	43
Vice President, Administration	16	29	45	43
Vice-President, Corporate Services & CFO	17	1	18	1
Vice President, Employee & Student Services	15	10	25	24
Vice President, External Relations	15	13	28	26

The accrued obligation for each executive under the SERP is outlined in the following table:

	Accrued obligation, June 30, 2007	Changes in accrued obligation	Accrued obligation, June 30, 2008
President & CEO	$ 414	$ 111	$ 525
Vice President, Academic	238	29	267
Vice President, Administration	246	30	276
Vice President, Corporate Services & CFO	1	17	18
Vice President, Employee & Student Services	97	21	118
Vice President, External Relations	117	22	139

NOTE 19 CHANGES IN NON-CASH WORKING CAPITAL

	2008	2007
Accounts receivable	$ 2,499	$ (756)
Inventories	79	(479)
Prepaid expenses	29	(84)
Accounts payable and accrued liabilities	(3,970)	5,899
Deferred revenue	1,326	1,287
Deferred contributions	(6,908)	8,911
Current portion of employee benefit liabilities	1,054	1,692
	$ (5,891)	$ 16,470

(thousands of dollars)

NOTE 20 SEGMENTED INFORMATION

For purposes of internal management and decision making, the Institute divides its operations into four reportable business streams: Grant Funded, Earned Revenue, Commercial Services and Fund Development. The Grant funded stream includes all programs supported by Alberta Advanced Education and Technology. The Earned Revenue stream provides career development, continuing education and corporate customized training. Commercial Services consists of Food Services, Bookstore, Parking, Graphics, Student Residence, Conference Services and Campus Centre. Fund Development provides all fundraising initiatives at SAIT in the areas of donations, project scholarships, capital projects, and equipment.

The accounting policies of the segments are the same as those described in the significant accounting policies in Note 2.

	Academic Streams		Non-Academic Streams			
For the year ended June 30, 2008	Grant Funded Programs	Earned Revenue	Commercial Services	Fund [5] Development	Inter-departmental Eliminations	Total
Revenue	$ 188,626	$ 42,959	$ 21,092	$ 4,169	$ (4,990)	$ 251,856
Direct cost [1]	71,032	22,089	14,810	3,011	(4,990)	105,952
Academic support [2]	27,933	6,653	-	-	-	34,586
Support services [3]	43,313	6,023	-	4,000	-	53,336
Institutional costs [4]	16,721	-	426	-	-	17,147
Interest expense	-	-	1,603	-	-	1,603
Amortization & loss on disposal	18,620	-	1,452	-	-	20,072
Total expenses	177,619	34,765	18,291	7,011	(4,990)	232,696
Net	$ 11,007	$ 8,194	$ 2,801	$ (2,842)	$ -	$ 19,160
Student hours (contact or equivalent) [6]	7,672,770	2,844,730	-	-	-	10,517,500
Full-load equivalent students (FLE) [7]	8,974	3,822	-	-	-	12,796
Academic program cost per student hour [8]	$ 23	$ 12	$ -	$ -	$ -	$ 20
Academic program cost per FLE student [8]	$ 19,628	$ 9,075	$ -	$ -	$ -	$ 16,476
Average student hours per FLE	855	744	-	-	-	822
For the year ended June 30, 2007						
Revenue	$ 172,083	$ 43,626	$ 20,817	$ 3,878	$ (4,803)	$ 235,601
Direct cost [1]	63,377	23,686	15,365	2,987	(4,803)	100,612
Academic support [2]	25,260	6,346	-	-	-	31,606
Support services [3]	37,435	7,274	-	3,393	-	48,102
Institutional costs [4]	17,973	-	292	-	-	18,265
Interest expense	-	-	1,256	-	-	1,256
Amortization & loss on disposal	16,664	-	1,065	-	-	17,729
Total expenses	160,709	37,306	17,978	6,380	(4,803)	217,570
Net	$ 11,374	$ 6,320	$ 2,839	$ (2,502)	$ -	$ 18,031
Student hours (contact or equivalent) [6]	7,299,842	2,954,589	-	-	-	10,254,431
Full-load equivalent students (FLE) [7]	8,838	3,831	-	-	-	12,669
Academic program cost per student hour [8]	$ 22	$ 13	$ -	$ -	$ -	$ 19
Academic program cost per FLE student [8]	$ 17,991	$ 9,708	$ -	$ -	$ -	$ 15,486
Average student hours per FLE	826	771	-	-	-	809

NOTE 20 SEGMENTED INFORMATION (continued)

(1) Direct cost represents direct department cost of delivering programs. Direct cost includes salaries, wages, contracts and benefits as well as non-personnel costs such as supplies and services and repairs and maintenance.

(2) Academic support includes all administration costs directly held in academic departments. Academic support includes salaries, wages, contracts and benefits as well as non-personnel costs such as supplies and services and repairs and maintenance for academic and academic support departments.

(3) Support services include operating expenses for departments supporting SAIT's operations. This item includes the following departments: Executive Offices, Finance, Facilities Management, Information Systems, Human Resources, Marketing, Communications, Alumni & Development, Corporate Training, and Customer Services. Costs included within these departments include, but are not limited to, student registrations, student counseling, student health services, custodial services, security, cashiers, shipping and receiving, software and technical services. Support services are allocated to Earned Revenue and Fund Development where specific costs can be identified and could include work groups within departments, entire departments or other non personnel costs.

(4) Institutional costs are related to the operations of the Institute as a whole rather than the operations of any particular department. These costs include, but are not limited to, facility renovation projects, utilities, investment fees, insurance premiums, bank charges, legal fees, worker's compensation premiums. Institutional costs have not been allocated to Earned Revenue or Fund Development.

(5) Fund development is an integral part of a post-secondary institution. Activities include not only unrestricted donations but project scholarship endowment and capital fundraising as well. Funds recognized in revenue in the current year do not reflect total funds raised and subsequently deferred for future years. Total funds raised in 2008 were $11,015 and $7,944 in 2007.

(6) Student hours (contact or equivalent) represent the number of classroom, laboratory or practicum hours assigned to each course multiplied by the number of students enrolled in each course. The number of students enrolled and the related student hours is obtained from the Institute's Student Information System.

(7) As defined by Alberta Advanced Education and Technology, one full-load equivalent (FLE) student reflects one student completing the full load for one year of study in a program, or several students combining to complete the equivalent of a normal full load. For programs where a year of study requires 24 to 36 weeks, an individual student taking a full load will earn one FLE. A student completing the requirements for a program less than 24 weeks will earn less than one FLE for a full year of study. Similarly, a student completing the requirements for a program greater than 36 weeks will earn more than one FLE for a full year of study. The FLE computation for a short program is based on a 32 week program of study. Apprenticeship training programs use 30 weeks as the standard length for FLE computations for one year of study in a program.

Non-apprenticeship programs are designed by the Institute - curriculum, program length and delivery mode. Apprenticeship programs are designed by the Apprenticeship Industry Training Board.

The number of FLE students enrolled in credit courses during the year is calculated by:
(i) accumulating the student hours (contact or equivalent) of a student through an academic year,
(ii) dividing the accumulated student hours by the hours required to complete a year of study in a program, and
(iii) aggregating the numbers for all students.

(8) Academic program cost per student hour is calculated based on total expenses less specific cost recoveries, divided by the number of student hours. Academic program cost per FLE is calculated based on total expenses less specific cost recoveries, divided by the number of FLEs. Cost recoveries include consulting fees, Highwood food sales and miscellaneous sales and services. Cost recoveries in 2008 totalled $1,476 for Grant Funded Programs and $82 for Earned Revenue. Cost recoveries in 2007 totalled $1,701 for Grant Funded Programs and $114 for Earned Revenue.

(thousands of dollars)

NOTE 21 RELATED PARTY TRANSACTIONS

The Institute is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology. Grants received in the year from the Province of Alberta were recorded as follows:

	2008		2007	
	Recognized in Revenue	**Deferred (1)**	**Recognized in Revenue**	**Deferred (1)**
Alberta Advanced Education and Technology:				
Operating grant	$ 107,433	$ -	$ 98,580	$ -
Enrolment Planning Envelope	8,053	15,241	9,193	19,053
Health Workforce Action Plan Grant	-	518	-	-
Performance Envelope Funding	1,543	-	1,281	-
Trades and Technology Complex	-	13,000	-	-
Access to the Future Fund	-	3,000	-	3,029
Chiller Replacement Grant	-	1,337	-	-
Infrastructure Maintenance Program	-	-	1,278	3,956
Miscellaneous grants	461	574	276	100
	117,490	33,670	110,608	26,138
Other provincial departments and agencies:				
Miscellaneous grants	52	127	104	506
	$ 117,542	$ 33,797	$ 110,712	$ 26,644

(1) Grants were recorded in Deferred Contributions, Deferred Capital Contributions, or Unamortized Deferred Capital Contributions at June 30.

During the year, the Institute conducted business transactions with related parties, including Ministries of the Province of Alberta, other public colleges, and corporations for which certain Board members of the Institute served as management. The revenue earned from these business transactions amount to $ 4,167 (2007 – $3,688) and are included in these financial statements. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair market values. At June 30, 2008, the Institute has amounts receivable from the Province of Alberta of $598 (2007 - $570) and amounts payable to the Province of Alberta of $411 (2007 – $290).

The Institute owns the land and building currently being used by the Alberta College of Art and Design ("ACAD"). This use is granted through a facility license agreement in place between the Institute and ACAD. The term of the license is through a renewable contractual agreement between the two parties determined at the pleasure of the Minister of Advanced Education and Technology. The Institute has Infrastructure Maintenance Program ("IMP") funds totaling $501 to be utilized for the maintenance of the building being used by ACAD. During the year, $144 were utilized for this purpose. The land, building and IMP funds have not been recorded in these financial statements.

NOTE 22 INTEREST IN JOINT VENTURES

The Institute has a 33% ownership interest in Pan Global Training Systems Limited ("PanGlobal"), a joint venture with the Northern Alberta Institute of Technology and the British Columbia Institute of Technology. PanGlobal is involved in the production and marketing of Power Engineering multimedia learning products.

The Institute has a 49% ownership interest in SAIT National Polytechnic (ME) LLC ("SNPME"), a joint venture with the National Professional Training & Development Institute in the United Arab Emirates. SNPME was incorporated on April 25, 2006 and is involved in the provision of technical training and consulting services for the energy industry in the United Arab Emirates. The Institute is entitled to 50% of the net profits and losses recorded by SNPME.

Interests in PanGlobal and SNPME are proportionately consolidated in the Institute's financial statements as follows:

		2008		2007
Total assets	**$**	**486**	$	334
Total liabilities	**$**	**703**	$	522
Revenue	**$**	**1,110**	$	1,044
Expense		**990**		1,060
Net income (loss)	**$**	**120**	$	(16)
Cash provided from operating activities	**$**	**350**	$	27
Cash (used in) provided by financing activities	**$**	**(24)**	$	31

NOTE 23 FUNDS HELD ON BEHALF OF OTHERS

The Institute has no equity in the following funds and administers them on behalf of others. Accordingly, these funds are not included in the consolidated financial statements:

		2008		2007
Alberta Online Learning (eCampus Alberta)	**$**	**3,567**	$	3,162
Alberta College of Art and Design		**501**		645
Alberta Association in Higher Education for Information Technology		**555**		-
Other		**9**		35
	$	**4,632**	$	3,842

NOTE 24 PLEDGES

Outstanding pledges at June 30, 2008 are $17,553 (2007 - $14,077) and have not been recorded as accounts receivable.

NOTE 25 COMPLIANCE WITH THE CHARITABLE FUNDRAISING ACT AND REGULATION

The following disclosure is prepared in accordance with the *Charitable Fundraising Act* and *Charitable Fundraising Regulation* of the Province of Alberta.

The total non-personnel expense incurred for the purpose of soliciting contributions was $513 (2007 - $287). The total amount paid as remuneration to employees of the Institute whose principal duties involve fundraising was $1,242 (2007 - $1,104).